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9M 2017 EARNINGS RELEASE

Ayala's nine-month net income reaches ₱23.2 billion, up 18 percent from a year ago

Ayala Corporation sustained its earnings momentum in the first nine months of the year, with net income reaching ₱23.2 billion, an 18 percent-growth from its year-ago level. This was bolstered by the strong performance of its real estate unit, and boosted by the continued ramp-up of its power business.

In the third quarter, Ayala's net income jumped 39 percent year-on-year to ₱8.2 billion, driven by robust earnings from Ayala Land, Bank of the Philippine Islands, and AC Energy. This was lifted by transaction gains realized by Globe Telecom from the investment of Ant Financial in its fintech unit Mynt. Moreover, the income realized by AC Energy from services that enabled the financial close and construction of a power plant lifted Ayala's net earnings in the third quarter. Isolating these transaction gains, Ayala's third quarter net income grew 26 percent from a year ago.

"Most of our business units have continued to achieve solid growth this year," Ayala President and Chief Operating Officer Fernando Zobel de Ayala said. "We are pleased to note that even excluding the transaction gains from various strategic initiatives for the period, Ayala's nine-month net income still expanded 18 percent from the previous year," Mr. Zobel said.

Real Estate

The sustained performance of the residential segment, office-for-sale, and commercial leasing businesses drove the 18 percent growth in Ayala Land's nine-month net income to ₱17.8 billion.

In property development, residential revenues jumped 30 percent from its year-ago level to ₱57.3 billion driven by new bookings and project completions led by the Alveo and Avida brands. Reservation sales in the first nine months amounted to ₱94.2 billion, 12 percent higher year-on-year, with average monthly sales amounting to ₱10.5 billion. Unbooked revenues from reservation sales reached its highest level to date at ₱141 billion from ₱127 billion in end-2016, while net booked sales for the period climbed 16 percent to ₱66.9 billion.

Office-for-sale revenues surged 50 percent year-on-year to ₱6.3 billion bolstered by sales from the High Street South Corporate Plaza 2 project. In the commercial and industrial lots segment, Ayala Land posted ₱4.8 billion revenues in the first nine months, up 8 percent from a year ago, fueled by strong lot sales in Arca South, Vermosa, and Naic, Cavite.

During the period, Ayala Land launched ₱53.9 billion worth of residential and office-for-sale projects.

In commercial leasing, shopping center revenues reached ₱11.8 billion, 11 percent higher than the previous year backed by contributions from new malls. Office leasing revenues grew 11 percent to ₱4.5 billion, lifted by stabilized occupancy of UP Town Center, Ebloc 4, and Alabang Town Center BPO offices. Moreover, hotel and resorts revenues were steady at ₱4.8 billion, up six percent year-on-year, driven by higher occupancy and average room rates of El Nido Resorts. Property management revenues climbed 51 percent to ₱1.6 billion supported by increase in managed properties. These recurring income businesses contributed 35 percent of Ayala Land's net income during the period.

Banking

In banking, the sustained momentum of Bank of the Philippine Islands' core banking and fee-based businesses cushioned the absence of significant gains from a capital exercise in the previous year. The bank posted ₱17 billion in net income in the first nine months, 1.9 percent lower year-on-year.

The bank's total revenues rose five percent to ₱53 billion as net interest income rose 13.5 percent to ₱35.5 billion driven by higher asset yields and expansion of its average asset base. Non-interest income fell to ₱17.5 billion, down 8.4 percent from a year ago, due to the absence of significant one-off securities trading gains similar to those realized in June 2016. The lower trading gains was partially offset by the bank's fee-based income, which rose 20.1 percent during the period backed by credit card, investment banking, and trust fees. BPI's cost-to-income ratio increased to 52.5 percent as the bank continues to invest in new technology to improve operating efficiencies.

BPI's loan book expanded 21 percent as of end-September 2017 to ₱1.1 trillion compared to the same period a year ago, supported by a 24 percent-growth in corporate loans. The corporate segment accounted for 80 percent, while the consumer segment comprised 20 percent of the bank's loan portfolio. BPI maintained its asset quality with a 90-day non-performing loans ratio of 1.5 percent and a 126 percent reserve cover. Total deposits in the first nine months of the year stood at ₱1.5 trillion, 14 percent higher than a year ago, with its current and savings account ratio at 71 percent.

Telecom

Continued demand for data-related services, lifted by a ₱1.9 billion gain from the strategic partnership forged by Mynt, drove Globe Telecom's net income to ₱13 billion, 11 percent higher than a year ago. This one-time gain pared Globe's share in equity losses and amortization charges related to the acquisition of San Miguel's telco assets, higher interest expenses, and depreciation.

Globe's gross service revenues improved six percent to ₱95.1 billion led by a broad-based growth across its mobile, home broadband and corporate data segments. Mobile revenues grew 7

percent to ₱73.1 billion, driven by sustained high demand for mobile data. Mobile data revenues increased 20 percent to ₱31.3 billion as mobile data traffic soared 73 percent to 430 petabytes in the first nine months of the year.

Home broadband revenues rose eight percent from its year-ago level to ₱11.7 billion, tracking a nine percent growth in broadband subscribers to 1.3 million. Meanwhile, corporate data revenues ended the period four percent higher to ₱7.6 billion. On a combined basis, Globe's revenues from data-related services amounted to ₱50.6 billion, up 14 percent year-on-year. Data services accounted for 53 percent of Globe's gross service revenues in the first nine months compared to 49 percent in the previous year.

Globe posted an earnings before interest, taxes, depreciation and amortization (EBITDA) of ₱40.6 billion, up eight percent from the previous year, backed by strong revenues despite higher operating expenses. Moreover, EBITDA margin improved to 43 percent from its year-ago level of 42 percent.

Without the impact of the gains from the increase in fair value of its retained equity interest in Mynt and the costs related to the acquisition of San Miguel's telecom assets, Globe's net earnings dropped 2 percent year-on-year owing to higher depreciation expense and interest and financing charges.

As part of its commitment to improve internet services in the country, Globe is deploying US\$100 million in additional capital expenditures for the year to fund the expansion of its mobile data network, bringing Globe's total capital spending plan to US\$850 million for 2017. The additional investment will be used to deploy new cell sites that utilize the 700 and 2600 megahertz frequencies aimed at expanding internet capacity and mobile coverage.

In October, with partners Ant Financial and Ayala, Globe launched its digital payment platform through GCash, which utilizes Quick Response (QR) codes for retail merchants. The system allows customers to pay for goods and services using their smartphones. The system was first launched with Ayala Malls and is targeted to expand to other retail outlets.

Water

Manila Water's nine-month net earnings ended flat from a year ago at ₱4.9 billion, as higher operating costs and expenses from expansion initiatives weighed down its topline growth.

Manila Water's revenues rose three percent to ₱13.8 billion, in step with a three percent expansion of total billed volume to 554.4 million cubic meters. In the first nine months of the year, the Manila Concession registered ₱4.5 billion in net income, three percent higher than the previous year, supported by a steady growth in billed volume and lower depreciation expenses. Billed volume stood at 366.6 million cubic meters, two percent higher than its year ago level, on the back of higher demand from domestic and semi-commercial clients. Operating efficiencies remain at a

comfortable level with non-revenue water at 13.1 percent, while collection efficiency stood at 99 percent in the first nine months.

Revenues from Manila Water's domestic subsidiaries, Manila Water Philippine Ventures, jumped 26 percent to ₱2.3 billion bolstered by strong growth across all its subsidiaries. This was led by Estate Water and Laguna Water, which posted revenue growth of 42 percent and 32 percent, respectively. All in all, Manila Water's non-Manila Concession businesses contributed ₱770 million accounting for 16 percent of total consolidated net income.

Operating costs and expenses in the first nine months rose 11 percent to ₱4.9 billion, due to higher direct and personnel costs.

Manila Water remains aggressive in its business-building efforts, with business development costs more than doubling to ₱162 million. In addition, Manila Water continued to invest in service improvements with capital expenditure up 66 percent to ₱8.2 billion, with a bulk allocated to the Manila Concession.

Power Generation

AC Energy sustained its earnings momentum with net income surging 73 percent to ₱2 billion in the first nine months, primarily driven by the fresh contribution of its geothermal asset in Indonesia, boosted by services income derived from the financial close of a new power plant.

Equity earnings from AC Energy's operating assets expanded 20 percent year-on-year to ₱1.6 billion, bolstered by the robust performance of its renewable energy assets and the contribution of SD Geothermal (formerly Chevron Indonesia). During the period, its renewable platforms contributed 52 percent to AC Energy's equity earnings from operating assets.

AC Energy's first greenfield offshore project, the 75-megawatt Sidrap Wind Farm located in South Sulawesi, Indonesia, is expected to be operational by the first quarter of 2018.

Industrial Technologies

AC Industrials registered a net income of ₱1 billion in the first nine months of the year, a five percent increase from a year ago, as the solid performance of its electronics manufacturing business offset weaker contributions from its vehicle retail segment.

In electronics manufacturing, Integrated Micro-Electronics, recorded a 16 percent increase in net earnings to US\$24.1 million (₱1.2 billion), driven by its automotive and industrial segments. Revenues surged 29 percent year-on-year to US\$795.2 million (₱40.4 billion), lifted by its Europe and Mexico operations, which contributed US\$263.4 million (₱13.4 billion) in revenues on increased demand for automotive lighting.

VIA Optronics and Surface Technology International registered a combined US\$136.2 million (₱6.9 billion) in revenues, contributing 17 percent of total revenues. VIA and STI supported the 25 percent-improvement in gross profit of US\$89.2 million (₱4.5 billion) during the period.

Meanwhile, revenues from AC Industrials' vehicle retail segment expanded 30 percent to ₱21.2 billion, supported primarily by strong sales of its Honda BR-V, Honda Civic and Isuzu truck models. Despite higher sales during the period, net income declined 10 percent to ₱445 million as a result of lower dividend income from Isuzu Philippines Corporation and lower equity earnings from Honda Cars Philippines Inc.

In motorcycle manufacturing, KTM Philippines has assembled 1,148 units as of September since it began operations in June this year.

Infrastructure

AC Infrastructure continues to strengthen the operations of its three public-private partnership projects. Light Rail Manila Corporation, the operator of LRT-1, served an average daily ridership of over 431,000 in the first nine months of the year. Capacity has improved with 106 light rail vehicles available for operation, a 15 percent increase from its year-ago level, while average weekday daily trips have increased to 554, 10 percent higher year-on-year. LRMCC continues to upgrade the facilities of stations along the line to provide a better commuting experience to the public.

The Muntinlupa-Cavite Expressway now serves over 28,300 vehicles a day, 22 percent higher from a year ago. Meanwhile, the Beep ticketing system now has 4.6 million cards in circulation, with ₱8.1 billion in transactions across rail, bus, and retail platforms since its launch in 2015. It recently added Robinsons Movieworld to its non-rail platforms.

Social Infrastructure

AC Health continues to ramp up the operations of Generika, its retail network of affordable quality generic medicines, and FamilyDOC, its chain of community-based primary care clinics, to meet the healthcare needs of Filipinos.

Generika's revenues grew 13 percent to ₱2.3 billion year-on-year, mainly driven by higher network retail sales during the period. The pharmacy chain opened 76 new stores in the first ten months, bringing the total branch footprint to 730 as of October 2017. Meanwhile, FamilyDOC continues to ramp up with 15 clinics in its network as of October 2017 after it opened five new clinics in Cavite, Las Pinas, Paranaque, Pateros and Pasig. FamilyDOC has served over 40,000 unique patients since it launched in 2015. This year, AC Health is expected to launch a new clinic format, which will place a FamilyDOC clinic inside a Generika branch.

In education, after completing enrollment for both its Affordable Private Education Centers (APEC schools) and the University of Nueva Caceres in Naga, AC Education now has a combined student population of 24,275 as of September 2017.

APEC Schools opened the school year 2017-2018 with 16,221 students across 23 sites, a 54 percent increase from the previous year. Meanwhile, UNC's total student population increased by 5 percent to 8,054, despite the lack of a freshman cohort due to the implementation of the K-12 Law.

Balance Sheet

Ayala's balance sheet continues to be healthy to support its investments as well as meet debt and dividend obligations. Moreover, Ayala's consolidated assets breached the 1-trillion-peso level as of end-September 2017.

Cash at the parent level stood at ₱29.7 billion, while net debt stood at ₱67.2 billion. Net debt-to-equity ratio during the period was 0.68 at the consolidated level and 0.61 at the parent level. Ayala's loan-to-value ratio or the ratio of its parent net debt to the total value of its investments was 10 percent as of end-September 2017.

In September, Ayala successfully issued US\$400 million senior Perpetual bonds with an annual coupon rate of 5.125 percent with no reset nor step-up, a first in the Philippines. The issuance of this fixed-for-life Perpetual was more than five times oversubscribed with 81 percent allocated to foreign institutional investors. The issuance allows Ayala to optimize its average cost of funding and extend its debt maturity profile and diversify its funding source.

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AYALA CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Earnings Per Share Figures)

	September 2017	September 2016
INCOME		
Sale of goods	P 125,303,516	P 94,423,938
Rendering of services	45,166,460	45,655,041
Share of profit of associates and joint ventures	14,227,819	13,779,287
Interest income	4,747,380	5,078,698
Other income	12,086,147	6,451,150
	201,531,322	165,388,114
COSTS AND EXPENSES		
Costs of sales	99,273,049	73,720,134
Costs of rendering services	23,212,788	25,258,319
General and administrative	15,423,971	12,903,589
Interest and other financing charges	10,794,645	10,256,704
Other charges	5,933,561	3,458,208
	154,638,014	125,596,954
INCOME BEFORE INCOME TAX	46,893,308	39,791,160
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	9,168,239	8,128,676
Deferred	(412,548)	(818,350)
	8,755,691	7,310,326
NET INCOME	P 38,137,617	P 32,480,834
Net Income Attributable to:		
Owners of the parent	P 23,235,153	P 19,645,671
Non-controlling interests	14,902,464	12,835,163
	P 38,137,617	P 32,480,834
EARNINGS PER SHARE		
Basic	P 35.86	P 30.13
Diluted	P 35.38	P 29.71

AYALA CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at September 30, 2017 (With Comparative Audited Figures as at December 31, 2016)****(Amounts in Thousands)**

	September 2017 Unaudited	December 2016 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	P 74,117,277	P 60,223,324
Short-term investments	2,314,711	1,008,705
Accounts and notes receivable	124,687,688	116,841,963
Inventories	76,719,895	76,752,875
Other current assets	46,459,499	33,638,483
Total Current Assets	324,299,070	288,465,350
Noncurrent Assets		
Noncurrent accounts and notes receivable	33,091,746	36,484,347
Land and improvements	100,527,668	101,049,171
Investments in associates and joint ventures	201,425,466	180,313,743
Investment properties	127,339,078	110,916,644
Property, plant and equipment	81,633,137	64,074,471
Service concession assets	87,555,134	82,422,249
Intangible assets	14,713,868	9,716,403
Deferred tax assets - net	12,599,721	12,414,647
Pension and other noncurrent assets	29,190,385	25,847,478
Total Noncurrent Assets	688,076,203	623,239,153
Total Assets	P 1,012,375,273	P 911,704,503
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	P 23,240,170	P 30,858,137
Accounts payable and accrued expenses	171,638,761	164,600,578
Income tax payable	1,719,070	2,270,315
Current portion of:		
Long-term debt	13,545,443	19,792,669
Service concession obligation	763,792	754,519
Other current liabilities	20,183,207	17,522,984
Total Current Liabilities	231,090,443	235,799,202
Noncurrent Liabilities		
Long-term debt - net of current portion	314,590,803	245,203,145
Service concession obligation - net of current portion	6,757,855	6,822,862
Deferred tax liabilities - net	9,031,471	9,543,754
Pension liabilities	2,304,424	2,469,140
Other noncurrent liabilities	45,071,141	40,870,522
Total Noncurrent Liabilities	377,755,694	304,909,423
Total Liabilities	608,846,137	540,708,625
Equity		
Equity attributable to owners of the parent		
Paid-in capital	74,784,747	74,379,760
Share-based payments	280,078	495,759
Remeasurement losses on defined benefit plans	(1,630,124)	(1,548,192)
Net unrealized loss on available-for-sale financial assets	(950,095)	(466,676)
Cumulative translation adjustments	3,180,176	1,414,550
Equity reserve	11,362,115	12,211,275
Equity conversion option	1,113,745	1,113,745
Retained earnings	166,708,025	145,622,311
Treasury stock	(2,300,000)	(2,300,000)
	252,548,667	230,922,532
Non-controlling interests	150,980,469	140,073,346
Total Equity	403,529,136	370,995,878
Total Liabilities and Equity	P 1,012,375,273	P 911,704,503