



13 August 2015
PRESS STATEMENT

Ayala's earnings up 6% to ₱10.4 billion in the first half

Ayala Corporation's net income rose 6 percent to ₱10.4 billion in the first half of the year driven by the double-digit growth in its telecom, real estate, banking, and electronics businesses, and boosted by the positive performance of its power generation unit.

Excluding the previous year's divestment gains from the sale of Stream Global Services, Ayala's business process outsourcing unit, Ayala's net income in the first semester grew 31 percent.

Ayala's solid performance in the first half of the year was a result of strong equity earnings contribution from its business units, which reached ₱13.2 billion, up 2 percent from a year ago. Without the divestment gains, equity earnings expanded 20 percent in the first half of the year.

The strong double-digit growth in the equity earnings of Globe Telecom, Ayala Land, Bank of the Philippine Islands, and Integrated Microelectronics combined with the positive contribution from AC Energy Holdings drove Ayala's equity earnings during the period.

"Our earnings continue to grow at a strong pace in step with the overall performance of our business units. As demand drivers remain upbeat, and as our investments in power come onstream, we believe this strong growth will continue throughout the year," Ayala president and chief operating officer Fernando Zobel de Ayala said.

"In addition, as our core businesses grow, we continue to seek new areas to invest in. We are developing new platforms in the healthcare and education spaces. We believe these two sectors present excellent opportunities for growth and scale," Mr. Zobel added.

Real Estate

Ayala Land's net income expanded 19 percent to ₱8.4 billion, lifted by the upbeat performance of its property development and commercial leasing operations. In property development, residential revenues grew 11 percent on new bookings and project completion while office sales expanded nearly twofold on the back of new launches from its upscale brand Alveo.

In commercial leasing, shopping center revenues went up 9 percent owing to higher occupancy and average rentals, while office leasing revenues expanded 16 percent due to the contribution of newly opened offices and the stronger performance of its existing offices. Revenues from hotels and resorts improved by 8 percent on higher occupancy.

Ayala Land launched 21 residential projects, the Ayala Triangle Gardens mixed-use development and other leasing projects worth ₱81 billion in the first semester. In addition, Ayala Land and Puregold Price Club recently opened its first supermarket venture named "Merkado" in UP Town Center.

Banking

As its core banking business continued to drive growth, net earnings of the Bank of the Philippine Islands expanded 16 percent to ₱9.3 billion. Total revenues improved 12 percent to ₱29 billion on higher net interest income and non-interest income. Net interest income grew 12 percent to ₱19 billion owing to a 15 percent-expansion in average assets. Non-interest income was up 12 percent to ₱10 billion as a result of higher income from securities trading, fees and commissions, and insurance business.

The bank's operating expenses grew 7.6 percent year-on-year resulting in a cost-to-income ratio of 51.9 percent.

The bank's total assets stood at ₱1.4 trillion at the end of the first half, a 9.7 percent-increase from the previous year. Deposit level increased 12 percent to P1.2 trillion while total loan portfolio grew 9 percent year-on-year. Asset quality remains strong, with a gross 90-day non-performing loan ratio of 1.77 percent, lower than last year's 1.85 percent. Loan loss cover was maintained at 108 percent.

Consolidated CET 1 Capital Adequacy Ratio (CAR) was 14.3 percent while total CAR was 15.2 percent in the first semester.

Telecom

Globe Telecom registered a net income of ₱8.7 billion, up 27 percent year-on-year, bolstered by increased demand for data connectivity across the mobile, fixed line, and broadband segments.

Service revenues rose 13 percent to ₱53.8 billion with the highest growth coming from mobile browsing and other data revenues, jumping 53 percent to ₱9.5 billion. Broadband revenues expanded 30 percent to ₱7.6 billion, while fixed line data revenues surged 20 percent to ₱3.1 billion. Combined, all these comprise 38 percent of Globe's total revenues during the period. Globe's mobile and fixed line voice likewise improved, growing 10 percent and 7 percent, respectively. Its mobile subscriber base reached 48.4 million, 13 percent higher year-on-year. Similarly, Globe's broadband subscriber base grew 55 percent to 3.5 million in the first semester of the year.

The solid revenue growth balanced out the higher subscriber and network-driven costs, with earnings before interest taxes depreciation and amortization (EBITDA) expanding 19 percent to ₱22.7 billion.

Following the approval of the National Telecommunications Commission, Globe converted \$115 million of debt in Bayan Telecommunications into equity, effectively securing control of Bayantel. Subsequently, Globe acquired the stake held by the Lopez group in Bayantel, hiking up its stake in the company to over 98 percent.

Water Infrastructure

Manila Water's net income dipped 4 percent from a year ago to ₱3 billion owing to higher operating expenses primarily from catch-up rental costs incurred by the East Zone concession during the period. This resulted in a 5 percent decline in the net profits of the East Zone concession to ₱2.6 billion despite a 2 percent-growth in billed volume. Excluding the extraordinary rental expense, Manila Water's net income ended flat for the first semester.

Total billed volume grew 2 percent to 340 million cubic meters supported by billed volume growth outside the East Zone. Billed volume from Laguna Water surged 26 percent; Clark Water expanded 19 percent, while Boracay Water and Kenh Dong Water in Vietnam posted single-digit growth rates. Meanwhile, Cebu Manila Water Development started operations in January this year.

Manila Water continues to develop its footprint outside the East Zone concession. It expanded its Laguna Water operations to cover the entire province of Laguna with the addition of used water services in the concession. Moreover, Manila Water was awarded a 15-year bulk water supply contract by the Tagum City Water District.

Electronics Manufacturing

Integrated Micro-Electronics Inc. recorded a net income of \$15.2 million, 35 percent higher from the previous year as operational improvements, continued focus on higher-margin products, and cost saving measures increased profitability.

Revenues slightly declined by 3 percent to \$416.3 million on the back of a weakness in the euro coupled with a slowdown in demand in the computing sector. Excluding the impact of foreign exchange rates, revenues rose 2.4 percent during the period.

Power Generation and Transport Infrastructure

As its power generating assets come online, AC Energy Holdings Inc. registered a net income in the first half of the year of ₱198 million. This was driven by the contributions from its two wind farms, North Luzon Renewable Energy Corporation and NorthWind both in Ilocos Norte; and two coal plants, South Luzon Thermal Energy Corporation in Batangas, and GNPowder Mariveles Coal Plant in Bataan.

AC Energy has assembled over 700 megawatts of attributable generating capacity across various assets. It continues to work on a pipeline of power projects to meet its goal of building around 1,000 MW in generating capacity over the next few years. Over the past three years, Ayala has committed over US\$700 million in equity in developing various power generating projects.

In transport infrastructure, Ayala formally opened the Muntinlupa-Cavite Expressway (MCX) on July 24, 2015. Ayala is the concessionaire of MCX, a 4-kilometer tollroad connecting the Daang Hari Road with the South Luzon Expressway.

AF Payments Inc., a joint venture between the Ayala and First Pacific groups, has begun its roll out of the automated fare collection system through the *Beep* contactless cards. Implementation has started in LRT line 2, and is expected to be completed across all LRT and MRT lines within the next few months.

Balance Sheet

Ayala maintains a healthy balance sheet. As of June 30, 2015, parent company cash reached ₱38 billion, putting its net debt to equity ratio at 0.23 to 1 at the parent level, and 0.81 to 1 at the consolidated level.

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XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

	June 2015 (Unaudited)	December 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	66,581,862	90,769,525
Short-term investments	12,237,093	1,102,703
Accounts and notes receivable	87,743,250	72,710,512
Inventories	60,613,576	54,962,164
Other current assets	31,802,294	35,156,558
Total Current Assets	258,978,075	254,701,462
Noncurrent Assets		
Noncurrent accounts and notes receivable	36,001,730	32,006,450
Investment in bonds and other securities	3,272,049	3,432,215
Land and improvements	86,312,410	79,959,887
Investments in associates and joint ventures	158,563,999	152,764,854
Investment properties	78,783,131	71,324,245
Property, plant and equipment	28,985,002	27,953,145
Service concession assets	75,875,260	74,836,633
Intangible assets	4,238,397	4,183,464
Deferred tax assets - net	8,299,897	8,055,020
Pension and other noncurrent assets	19,030,896	16,830,401
Total Noncurrent Assets	499,362,771	471,346,314
Total Assets	758,340,846	726,047,776
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	140,519,877	126,101,836
Short-term debt	13,092,067	21,084,269
Income tax payable	1,711,499	1,340,269
Current portion of:		
Long-term debt	23,403,637	10,761,443
Service concession obligation	1,159,511	1,019,515
Other current liabilities	6,263,559	9,452,281
Total Current Liabilities	186,150,150	169,759,613
Noncurrent Liabilities		
Long-term debt - net of current portion	212,343,933	226,999,015
Service concession obligation - net of current portion	7,861,683	7,859,153
Deferred tax liabilities - net	7,010,790	6,742,633
Pension liabilities - net	1,992,394	2,179,966
Other noncurrent liabilities	26,365,112	25,640,911
Total Noncurrent Liabilities	255,573,912	269,421,678
Total Liabilities	441,724,062	439,181,291
Equity		
Equity attributable to owners of the parent		
Paid-in capital	73,860,335	73,571,505
Share-based payments	325,855	377,376
Remeasurement gains/(losses) on defined benefit plans	(1,005,572)	(1,005,572)
Net unrealized gain (loss) on available-for-sale financial assets	(64,246)	(7,211)
Cumulative translation adjustments	(708,085)	(603,765)
Equity reserve	13,139,252	7,478,259
Equity - conversion option	1,113,745	1,113,745
Retained earnings	115,655,918	107,039,814
Treasury stock	(2,300,000)	(2,300,000)
	200,017,202	185,664,151
Non-controlling interests	116,599,582	101,202,334
Total Equity	316,616,784	286,866,485
Total Liabilities and Equity	758,340,846	726,047,776

XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousand Pesos, except earnings per share)

	June 2015 (Unaudited)	June 2014 (Unaudited)
INCOME		
Sale of goods	56,986,624	51,484,923
Rendering of services	26,386,463	25,418,025
Share of profit of associates and joint ventures	7,524,701	6,828,500
Interest income	3,567,562	2,437,827
Other income	3,223,472	4,991,945
	97,688,822	91,161,220
COSTS AND EXPENSES		
Costs of sales	44,695,559	40,920,494
Costs of rendering services	14,891,249	14,276,195
General and administrative	7,863,122	8,112,105
Interest and other financing charges	6,279,939	6,157,750
Other charges	1,546,600	1,580,360
	75,276,469	71,046,904
INCOME BEFORE INCOME TAX	22,412,353	20,114,316
PROVISION FOR INCOME TAX		
Current	4,684,421	4,108,307
Deferred	(381,880)	(481,699)
	4,302,541	3,626,608
NET INCOME	18,109,812	16,487,708
Net Income Attributable to:		
Owners of the parent	10,400,554	9,798,711
Non-controlling interests	7,709,258	6,688,997
	18,109,812	16,487,708
EARNINGS PER SHARE		
Basic	15.75	15.89
Diluted	15.51	15.80