



10 March 2016
PRESS STATEMENT

Ayala hits ₱22.3 billion in 2015, breaches profit target a year ahead of plan

AYALA Corporation's net income expanded 20 percent to ₱22.3 billion in 2015, beating its target a year earlier than planned. This was primarily driven by the solid performance of its real estate and telecommunications businesses and lifted by contributions from its power generation unit.

Excluding capital gains primarily from the partial sale of AC Energy's stake in North Luzon Renewable Energy Corporation in 2015 and from the divestment of Stream Global Services in the previous year, Ayala's net earnings actually grew 24 percent year-on-year. This robust performance was anchored on higher equity earnings contribution from Ayala's business units, which reached ₱28 billion, reflecting a 13 percent increase from the previous year. At the group level, Ayala's total consolidated revenues, which includes the combined revenues of its subsidiaries and its share in earnings from associates, surpassed the ₱200 billion-mark, climbing 11 percent from its year-ago level.

"We achieved a number of milestones as a group in the past year, with most of our major businesses continuing to perform well," Ayala Corporation president and chief operating officer Fernando Zobel de Ayala said. "In 2015, we strengthened our growing portfolio of power and infrastructure investments, with various projects coming to fruition. In addition, we increased our investments in social infrastructure, as we entered the healthcare space and deepened our presence in education." Mr. Zobel added.

"In particular, in power, we currently have about 600 megawatts of attributable capacity across conventional and renewable platforms as our assets came online and reached more efficient operating levels. In transport infrastructure, we opened the Muntinlupa-Cavite Expressway, launched the Beep ticketing system, and took over the operations and management of LRT1," Mr. Zobel said.

Real Estate

The sustained performance of its residential and office developments and commercial leasing segments drove Ayala Land's net income in 2015, which reached ₱17.6 billion, 19 percent higher year-on-year.

Revenues from the residential business expanded 12 percent to ₱58 billion on new bookings and project completion. Reservation sales rose 4 percent to ₱105.3 billion, of which 25 percent account for overseas Filipino buyers. New launches and higher completion of office developments fueled the 32 percent growth in office space sales, which reached ₱6.4 billion during the year.

The higher occupancy and average rental rates of its shopping centers and office spaces combined with steady improvement of its hotels and resorts portfolio lifted Ayala Land's commercial leasing revenues, which climbed 16 percent to ₱24.5 billion.

Ayala Land's sustained earnings momentum during the year was further supported by the improved margin performance across its product lines as well as efficient cost management measures with earnings before interest and taxes (EBIT) margin at 29 percent from 27 percent a year ago.

Ayala Land continued to build up its recurring income business, with malls, office, and hotels and resorts accounting for 34 percent of its net earnings in 2015.

Ayala Land's capital spending during the year reached P82 billion. This year, it has earmarked P85 billion to support its pipeline of projects.

Telecom

Globe Telecom posted another record year, with net income surging 23 percent to P16.5 billion buoyed by the solid revenue trajectory from demand for data services across mobile, broadband, and fixed line segments. The P1.2 billion gain from the sale of its 51 percent stake in Yondu Inc. also lifted Globe's earnings during the year. Core net income, which excludes one-time adjustments, grew 4 percent.

Service revenues jumped 15 percent to P113.7 billion. Mobile revenues grew 9 percent to P85.1 billion on sustained growth in the postpaid segment, up 7 percent, coupled with faster expansion coming from the prepaid segment, up 10 percent. Similarly, mobile subscribers reached 52.9 million at the end of 2015, a 20 percent-increase from the previous year. Postpaid subscribers grew 6 percent, while prepaid subscribers jumped 21 percent. As it continued to roll out infrastructure improvements in its data network, Globe mobile data revenues expanded 55 percent to P22.1 billion.

In its broadband business, which now includes Bayan Telecommunications, Globe's revenues and subscriber base climbed 38 percent to P17.5 billion and 55 percent to 4.3 million, respectively. Excluding the impact of Bayan's consolidation in the second half of 2015, Globe's full year broadband service revenues grew 27 percent year-on-year to P16.1 billion.

EBITDA expanded 17 percent to P45.8 billion, with EBITDA margin steady at 40 percent.

Globe spent about P32.1 billion in capital expenditures in 2015 primarily to support its data infrastructure requirements. This year, it has programmed \$700 to \$750 million in capital spending to fund its data network initiatives.

Banking

Bank of the Philippine Islands reported net earnings of P18.2 billion in 2015, up 1.1 percent, as the bank's core lending business continued to drive growth, reducing reliance on securities trading.

BPI's total revenues rose 6.4 percent to P59.4 billion driven by net interest income, which grew 11 percent to P38.6 billion on the back of higher average asset base. Non-interest income dropped 1.2 percent to P20.7 billion as the bank's trading performance weathered a volatile year, with foreign exchange and securities trading posting gains of P2.9 billion.

Net loans expanded 9 percent to P872.9 billion, comprising 78 percent corporate and 22 percent retail borrowers. Deposits grew 8.5 percent to P1.3 trillion year-on-year. The bank registered a current and savings account ratio of 72.3 percent. Cost-to-income ratio remained at 53.7 percent, while total assets stood at P1.5 trillion, up 4.6 percent from a year ago.

Despite the increase in its loan portfolio, the bank maintained strong asset quality and remained well capitalized with gross 90-day non-performing loans (NPL) level at 1.6 percent of total loans in the fourth quarter of 2015 from 1.8 percent in the previous quarter. BPI's loan loss cover stood at 110.2

percent, excluding the value of collaterals. BPI ended the year with total capital of ₱150.3 billion, net of cash dividends declared, 4.3 percent higher than the previous year. This resulted in BASEL III capital adequacy ratio of 13.6 percent at the end of 2015.

Water

As it ramps up its businesses outside Metro Manila, Manila Water posted a 2 percent-growth in consolidated net income to ₱6 billion. Revenues rose 4 percent to ₱16.9 billion backed by a 2 percent growth in billed volume.

Earnings contribution from non-East Zone investments rose 46 percent, accounting for 16 percent of Manila Water's net income during the year. Billed volume of its domestic units, which include Boracay Water, Clark Water, Laguna Water and Cebu Manila Water Development, climbed 30 percent. Manila Water's investments in Vietnam, which include bulk water companies Thu Duc Water and Kenh Dong Water and a stake in Saigon Water, contributed ₱404 million in net income, up 13 percent from the previous year.

In the East Zone, Manila Water expanded its coverage areas in Pasig, Taguig, Marikina, and Rizal, resulting in a 3 percent growth in billed volume, balancing out the impact of the tariff reduction.

Manila Water continues to expand its portfolio of businesses. In January, it signed an agreement with Ayala Land to provide water and used water services to all its developments nationwide. In addition, its 5-gallon bottled water product under the brand name "Healthy Family" opened three new plants in the fourth quarter of 2015 with a combined capacity of 43,000 bottles per day.

Electronics Manufacturing

Integrated Micro-Electronics Inc. reported a flat net income of \$28.8 million (or ₱1.3 billion) year-on-year, owing to the volatility in the foreign currency markets and weakness in China's economy, one of its largest markets. Enhanced portfolio mix and cost efficiency initiatives across IMI's operations covered for the softness in revenues.

Revenues of \$814.4 million (or ₱37 billion) dropped 4 percent from a year ago mainly due to a weak euro and downturn in the computing and telecommunications segments. Excluding the impact of changes in currency exchange, automotive revenues climbed 21 percent, while total revenues rose 2 percent.

The revenue headwinds were offset by IMI's strong volume growth in the automotive segment. IMI's China operations recorded \$279.3 million in revenues during the year, a 14 percent decline from the previous year as the 4G telecommunications network rollout in China reaches its projected volume coupled with a slowdown in the consumer electronics segment.

IMI's Europe and Mexico operations ended flat, with combined revenues of \$267.4 million as a result of weakness in the euro. IMI's electronics manufacturing services operations in the Philippines posted \$225.3 million in revenues, a 10 percent growth from a year ago due to a strong demand for automotive cameras and security and access control devices.

Energy and Infrastructure

AC Energy Holdings recorded a net income of ₱2.1 billion during the year as its power generation assets came online and achieved more efficient operating levels. Furthermore, it realized gains from the partial sale of its stake in North Luzon Renewable Energy Corporation, an 81-megawatt wind farm in Ilocos Norte.

AC Energy currently has an attributable capacity of ~600 MW in its portfolio among conventional and renewable power projects currently in operations and under construction. It expects this capacity to reach close to 1,000 MW by 2016 once the first phase of its 2x660 GN Power plant in Dinginin, reaches financial close. In renewable energy, AC Energy's 18 MW solar power farm, Monte Solar Energy Inc., started commercial operations in February. In conventional energy, the second 135 MW unit of its thermal plant, South Luzon Thermal Energy Corporation in Calaca, Batangas, also started commercial operations in February. In addition, the first unit of its 4x138 GN Power plant in Kauswagan is expected to be completed in Q4 2017.

In transport infrastructure, AC Infrastructure Holdings continued to move forward with its public-private partnership projects. AC Infrastructure, through Light Rail Manila Corporation, successfully took over the operations of the LRT1 last September and has since increased the number of operational light rail vehicles (LRVs) by about 15 percent. Its automated fare collection system under AF Payments, Inc. now has over 1.5 million Beep cards in circulation today. Meanwhile, AC Infra's Muntinlupa Cavite Expressway (MCX) started operations last July and is currently serving over 22,000 vehicles per day, helping motorists save over 30 minutes in travel time.

Balance Sheet and Capital Expenditures

Ayala parent company ended the year with gross debt of ₱93.6 billion, 7 percent lower than the previous year, and cash of ₱47.4 billion. Its balance sheet remains healthy with parent company net debt to equity ratio at 0.44 to 1 and consolidated net debt to equity ratio at 0.55 to 1.

For 2016, Ayala has set aside ₱22.4 billion in capital spending at the parent level mainly to fund its pipeline of power generation projects. At the group level, Ayala has earmarked ₱174 billion in combined capital expenditures primarily to support the growth strategy of its real estate and telecom units.

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AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(in Thousand Pesos)

	Years Ended December 31		
	2015	2014	2013
INCOME			
Sale of goods	118,285,566	105,140,825	92,725,460
Rendering services	55,749,424	51,275,623	44,216,018
Share of profit of associates and joint ventures	15,038,015	13,185,147	10,091,140
Interest income	7,296,799	5,493,715	3,072,071
Other income	11,296,937	9,180,254	9,306,855
	207,666,741	184,275,564	159,411,544
COSTS AND EXPENSES			
Costs of sales	89,487,870	77,773,560	66,539,860
Costs of rendering services	33,573,245	34,495,682	31,486,686
General and administrative	18,052,242	15,831,000	14,613,841
Interest expense and other financing charges	13,276,414	11,933,781	10,511,432
Other charges	5,970,473	3,829,020	5,480,816
	160,360,244	143,863,043	128,632,635
INCOME BEFORE INCOME TAX	47,306,497	40,412,521	30,778,909
PROVISION FOR INCOME TAX			
Current	8,847,768	7,964,375	8,036,780
Deferred	163,676	173,543	(1,382,570)
NET INCOME	38,295,053	32,274,603	24,124,699
Net Income Attributable to:			
Owners of the parent	22,278,954	18,609,229	12,777,932
Non-controlling interests	16,016,099	13,665,374	11,346,767
	38,295,053	32,274,603	24,124,699
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EARNINGS PER SHARE			
Basic	33.89	29.83	20.53
Diluted	33.38	29.35	20.39



AYALA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands)

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	82,154,542	90,769,526	65,655,049
Short-term investments	2,052,288	1,102,703	119,345
Accounts and notes receivable - net	82,595,788	72,710,512	56,341,044
Inventories	68,430,908	54,962,164	50,178,486
Other current assets	27,617,031	35,156,557	39,194,020
Total Current Assets	262,850,557	254,701,462	211,487,944
Noncurrent asset held for sale			3,328,712
	262,850,557	254,701,462	214,816,656
Noncurrent Assets			
Noncurrent accounts and notes receivable	41,793,499	32,006,450	18,282,941
Land and improvements	92,894,879	79,959,887	62,474,802
Investments in associates, joint ventures and others - net	162,711,420	152,764,854	119,804,086
Investment in bonds & other securities	3,737,816	3,432,215	2,784,807
Investment in real properties - net	83,669,492	71,324,245	63,157,223
Property, plant and equipment - net	39,644,489	27,953,145	25,883,469
Service concession assets - net	78,828,840	74,836,633	73,754,407
Intangible assets	3,909,603	4,183,464	4,175,846
Deferred tax assets	9,742,797	8,055,020	6,513,585
Pension and other noncurrent assets	14,291,330	16,830,401	8,016,478
Total Noncurrent Assets	531,224,165	471,346,314	384,847,644
Total Assets	794,074,722	726,047,776	599,664,300
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	145,597,876	126,101,836	103,604,247
Short-term debt	24,387,515	21,084,269	15,811,285
Income tax payable	1,943,217	1,340,269	1,667,543
Current portion of:			
Long-term debt	28,153,532	10,761,443	11,842,519
Service concession obligation	1,255,644	1,019,515	1,290,406
Other Current Liabilities	4,629,680	9,452,281	10,991,693
Total Current Liabilities	205,967,464	169,759,613	145,207,693
Noncurrent Liabilities			
Long-term debt - net of current portion	210,799,646	226,999,015	178,027,343
Service concession obligation - net of current portion	7,538,374	7,859,153	7,868,295
Deferred tax liabilities	6,440,505	6,742,633	6,347,400
Pension liabilities	2,545,978	2,179,966	1,915,040
Other noncurrent liabilities	32,238,775	25,640,911	24,827,938
Total Noncurrent Liabilities	259,563,278	269,421,678	218,986,016
Total Liabilities	465,530,742	439,181,291	364,193,709
Equity			
Equity attributable to equity holders of Ayala Corporation			
Paid-in capital	73,919,322	73,571,505	50,166,129
Cumulative translation adjustments	288,683	(603,765)	(1,256,831)
Cost of share based payments	568,847	377,376	485,187
Remeasurement gains/losses on defined benefit plans	(1,249,716)	(1,005,572)	(1,317,954)
Net Unrealized gain on available-for-sale financial assets	(554,298)	(7,211)	277,848
Equity reserve	12,402,311	7,478,259	7,482,121
Equity - conversion option	1,113,745	1,113,745	-
Retained earnings	124,468,463	107,039,814	92,639,781
Treasury stock	(2,300,000)	(2,300,000)	(5,000,000)
Preferred shares held by a subsidiary			
	208,657,357	185,664,151	143,476,281
Non-controlling interests	119,886,623	101,202,334	91,994,310
Total Stockholders' Equity	328,543,980	286,866,485	235,470,591
Total Liabilities and Equity	794,074,722	726,047,776	599,664,300