



May 11, 2018

Securities and Exchange Commission

SEC Building, Mandaluyong City

Attention: **Director Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

Philippine Dealing and Exchange Corporation

37/F Tower 1, The Enterprise Center
6766 Ayala Ave. cor. Paseo de Roxas, Makati City

Attention: **Ms. Erika Grace C. Alulod**
Head, Issuer Compliance and Disclosure Department

Mesdames/Gentlemen:

Please be informed that Ayala Corporation disclosed first quarter 2018 net income of Php7.7 billion, up 10%.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jose Teodoro K. Limcaoco'.

Jose Teodoro K. Limcaoco
Chief Finance Officer

May 11, 2018

1Q 2018 EARNINGS RELEASE

Ayala posts ₱7.7 billion in first-quarter net income, up 10%

Ayala Corporation's net income expanded 10 percent year-on-year to ₱7.7 billion in the first quarter of the year, lifted by the robust earnings growth of its real estate and power units.

Equity earnings from Ayala's business units grew nine percent to reach ₱9.2 billion, boosted by contributions of Ayala Land, which jumped 15 percent as well as AC Energy, which nearly doubled during the period.

"The sustained growth momentum in our portfolio reflects the progress we have made in our long-term diversification strategy to establish new pillars of growth and expand into new markets," Ayala President and COO Fernando Zobel de Ayala said. "While we remain positive about the domestic environment and the concentration of our investments will continue to be in the Philippines, we are establishing a growing presence regionally and globally in sectors where we can bring our expertise and capital as opportunities arise," Mr. Zobel added.

Ayala Land

Ayala Land sustained its earnings momentum in the first quarter, with net income climbing 17 percent to ₱6.5 billion from a year ago primarily driven by its residential and commercial leasing segments.

Revenues from property development climbed 27 percent to ₱26 billion on the back of new bookings and project completion. Sales reservations expanded 16 percent to ₱31.5 billion, while net bookings grew 20 percent to ₱24.2 billion. Ayala Land launched ₱10.9 billion worth of residential projects during the period.

Meanwhile, revenues from commercial leasing grew 11 percent to ₱8.2 billion, lifted by higher contribution from newly opened malls, offices, and hotels.

Ayala Land's diversification strategy is increasingly gaining traction, with net income mix achieving greater balance. In terms of location, new estates and established estates (Makati, Bonifacio Global City, Nuvali, Alabang, and Cebu) contributed 55 percent and 45 percent of Ayala Land's net income, respectively. In terms of business line, Ayala Land's development income (property sales and construction) accounted for 66 percent, while recurring income (commercial leasing, hotels and resorts, and property management) contributed 34 percent to its net profits in the first quarter.

Ayala Land spent ₱26.7 billion in capital expenditure in the first quarter, comprising 24 percent of its budget for the year. A bulk of the amount was allocated to residential projects.

Bank of the Philippine Islands

Bank of the Philippine Islands recorded a net income of ₱6.2 billion in the first quarter, a flat growth from the previous year, as lower non-interest income offset the improvement in the bank's core banking business.

Total revenues reached ₱18.5 billion, three percent year-on-year. Net interest income rose nine percent to ₱12.5 billion, supported by expansion in average asset base. Total loans climbed 17 percent to ₱1.2 trillion, mainly driven by corporate loans. Interest income from loans grew by 18 percent year-on-year.

Total deposits reached ₱1.6 trillion, up 10 percent, with the current account and savings account ratio at 72 percent and loan-to-deposit ratio at 76 percent.

Non-interest income dropped 8 percent to ₱5.9 billion on lower income from trust and investment management fees, securities trading, and asset sales. Meanwhile, income from credit card business, bank commissions, stockbrokerage fees, and foreign exchange trading increased during the period.

Operating expenses rose 12 percent to ₱9.7 billion on accelerated IT-related spend, operations and marketing, while asset growth was accompanied by an increase in regulatory costs. This resulted in a cost-to-income ratio of 52.8 percent in the first quarter, higher than the 48.6 percent recorded in the previous year.

Total assets and total capital both expanded 10 percent to ₱1.9 trillion and ₱189.5 billion, respectively. Capital adequacy ratio stood 13.55 percent and common equity tier 1 at 12.65 percent.

The bank recently completed its stock rights offering, raising ₱50 billion in additional capital to fund its growth strategy. Ayala subscribed to its proportionate and unsubscribed rights share, slightly raising its effective ownership in the bank to 48.6 percent.

Globe Telecom

With consistent strong demand for data-related services and a larger subscriber base, Globe's service revenues expanded eight percent to ₱33.6 billion, bolstered by its mobile, home broadband, and corporate data segments.

Mobile data revenues grew 26 percent to ₱12.6 billion as subscribers reached 63.3 million, up eight percent from the previous year. Home broadband revenues improved 11 percent to ₱4.3 billion resulting from a 17 percent increase in subscriber base at 1.4 million. Corporate data revenues likewise grew four percent to ₱2.6 billion. Data-related services accounted for 58 percent of Globe's service revenues, with mobile data users making up for 55 percent of mobile subscribers.

The higher revenues and lower operating expenses supported the 18 percent growth in Globe's EBITDA, which reached ₱15.8 billion in the first quarter. EBITDA margin remained healthy at 47 percent. Globe posted net profits of ₱4.7 billion in the first quarter, mainly driven by EBITDA growth which offset depreciation charges and non-operating expenses during the period.

Globe spent around ₱6.6 billion in capital expenditures as of end-March to support the growing subscriber base and demand for data. Of this amount, 64 percent was deployed to data-related services. To date, Globe has a total of 38,963 base stations, with over 25,600 for 4G.

As part of its network expansion and optimization plan, Globe initiated discussions with third-party groups for the establishment of a tower company that will help speed up the build and deployment of cellular towers in the Philippines. Globe is looking to divest all or part of its tower assets to independent tower companies and open these up for lease to new and existing telco players. The Philippines has one of the lowest tower densities in the world, with under 20,000 towers serving a population of 100 million people.

Manila Water

Manila Water's first-quarter net profits jumped 17 percent to ₱1.7 billion on improved performance of the Manila Concession and domestic business units combined with lower depreciation expense.

Manila Water's revenues rose eight percent to ₱4.7 billion largely driven by additional billed connections in the Manila Concession and its domestic operating subsidiaries as well as higher supervision fees recognized by Laguna Water.

Depreciation expense dropped 20 percent to ₱601 million owing to accounting adjustments in Manila Water parent company and its subsidiaries Laguna Water, Boracay Water, and Clark Water implemented in May 2017.

Manila Water registered higher billed volume across its operating units, reaching 181.7 million cubic meters, up three percent. The Manila Concession registered a four percent growth in billed volume to 120.3 million cubic meters, with significant improvements also recorded by Laguna Water, Clark Water, Boracay Water, and Estate Water.

Manila Water's foreign investments have started to bear fruit, with their earnings contribution increasing 26 percent to ₱109 million in the first quarter.

As it continued its infrastructure build up, Manila Water deployed ₱3.4 billion in capital expenditures in the first quarter, a 63 percent expansion from a year ago. A bulk of the amount was allocated to the Manila Concession, which spent ₱2.9 billion, while the rest was channeled to the network expansion of domestic subsidiaries.

Manila Water continues to grow its portfolio outside the Manila Concession. Last month, it received Notices of Award from two water districts in the Province of Bulacan. First is from the Balagtas Water District for a 25-year concession which will implement water and used water projects in Balagtas, Bulacan. The project has an estimated capital expenditures of over ₱400 million and is projected to deliver billed volume of 22 million liters per day by year 25. Second is from the Bulacan Water District for a 25-year concession for the provision of water and used water projects in the Municipality of Bulakan. Estimated capital expenditures is also ₱400 million and is targeted to deliver 16 million liters per day by year 25.

AC Energy

AC Energy nearly doubled its net profits in the first quarter of the year to ₱593 million, boosted by robust contributions of its Indonesia investment and thermal and renewable platforms.

Equity earnings from AC Energy's investee companies also doubled to ₱822 million led by fresh contribution from Salak and Darajat in Indonesia. In addition, higher generating capacity of its thermal unit GN Power Mariveles and solar farm Montesol supported AC Energy's profitability during the period. All these cushioned the impact of development costs incurred from its projects under construction.

As of the first quarter, AC Energy has a total attributable capacity of around 1,600 megawatts from thermal and renewable plants in operations and under construction. It has a target to ramp this up to 2,000 megawatts by 2020, with 1,000 megawatts to come renewable sources. In parallel, it has a goal of achieving a net income of ₱5 billion by 2020.

AC Industrials

Despite strong topline growth of both its electronics manufacturing and vehicle retails segments, a one-off expense and startup costs of new acquisitions weighed down AC Industrials' net income, declining 36 percent to ₱217 million in the first quarter.

In electronics manufacturing services, Integrated Micro-Electronics posted a revenue growth of 38 percent to US\$325.8 million, buoyed by the strong performance of its automotive, industrial, and telecommunications segments combined with contributions from recently acquired entities.

This strong revenue growth was tempered by a one-off expense of US\$3 million attributed to employee relocation incentive related to the transfer of one of its China operations. The relocation was prompted by a sale transaction, which will result in gains to be realized within the year. This one-off expense resulted in a 36 percent decline in IMI's net income in the first quarter, which stood at US\$5.6 million. Excluding this one-off cost, IMI's net income would have remained at par with the previous year.

With the recent completion of its ₱5 billion stock rights offering, IMI is well-positioned to pursue new growth opportunities. AC Industrials, which previously held 50.6 percent of IMI's outstanding shares, subscribed to its proportionate and unsubscribed rights share, raising its stake in IMI to 52 percent.

In vehicle retail, AC Automotive registered an 11 percent net income growth to ₱129 million in the first quarter on robust unit sales of the Volkswagen and KTM brands.

Balance Sheet

Ayala's balance sheet remains healthy with ample capacity to undertake investments as well as cover its dividend and debt obligations. As of the first quarter of the year, parent level cash stood at ₱16.9 billion, with net debt at ₱72 billion. Ayala's net debt-to-equity ratio stood at 0.65 at the parent level and 0.71 at the consolidated level. The conglomerate's loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, was at 7.5 percent at the end of the first quarter.

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

(Amounts in Thousands, Except Earnings Per Share Figures)

	March 2018	March 2017
REVENUE		
Sale of goods	₱ 46,509,248	₱ 37,639,501
Rendering of services	17,503,974	16,453,172
Share of profit of associates and joint ventures	5,046,669	4,454,818
Interest income from real estate	992,734	1,221,909
Dividend income	238,734	268,552
	70,291,359	60,037,952
COSTS AND EXPENSES		
Costs of sales	35,970,188	30,105,434
Costs of rendering services	9,023,263	9,050,961
General and administrative	6,345,562	4,972,641
	51,339,013	44,129,036
OTHER INCOME (CHARGES)		
Interest income	393,776	422,953
Other income	4,869,367	2,765,967
Interest and other financing charges	(4,337,284)	(3,567,099)
Other charges	(3,086,301)	(1,421,742)
	(2,160,442)	(1,799,921)
INCOME BEFORE INCOME TAX	16,791,904	14,108,995
PROVISION FOR INCOME TAX		
Current	3,917,160	2,735,650
Deferred	(15,764)	(194,330)
	3,901,396	2,541,320
NET INCOME	₱ 12,890,508	₱ 11,567,675
Net Income Attributable to:		
Owners of the parent	₱ 7,657,012	₱ 6,931,265
Non-controlling interests	5,233,496	4,636,410
	₱ 12,890,508	₱ 11,567,675
EARNINGS PER SHARE		
Basic	₱ 11.81	₱ 10.65
Diluted	₱ 11.63	₱ 10.50

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2018 (With Comparative Audited Figures as at December 31, 2017)
(Amounts in Thousands)

	March 2018 Unaudited	December 2017 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	₱ 63,887,358	₱ 64,259,279
Short-term investments	9,707,559	5,400,239
Accounts and notes receivable	127,167,601	124,109,122
Inventories	76,438,186	76,542,538
Other current assets	49,297,488	45,324,696
Total Current Assets	326,498,192	315,635,874
Noncurrent Assets		
Noncurrent accounts and notes receivable	46,020,073	45,774,058
Land and improvements	94,332,678	93,869,008
Investments in associates and joint ventures	208,461,167	202,649,300
Investment properties	151,357,301	137,657,633
Property, plant and equipment	91,257,051	85,430,631
Service concession assets	93,476,213	91,049,570
Intangible assets	17,462,377	16,705,000
Deferred tax assets - net	14,186,521	12,720,910
Other noncurrent assets	24,128,219	20,053,768
Total Noncurrent Assets	740,681,600	705,909,878
Total Assets	₱ 1,067,179,792	₱ 1,021,545,752
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	₱ 41,323,586	₱ 29,904,723
Accounts payable and accrued expenses	171,269,048	169,652,527
Income tax payable	2,819,542	1,710,260
Other current liabilities	22,558,450	25,983,794
Current portion of:		
Long-term debt	17,908,332	13,731,967
Service concession obligation	780,232	803,898
Total Current Liabilities	256,659,190	241,787,169
Noncurrent Liabilities		
Long-term debt - net of current portion	317,719,810	306,975,262
Service concession obligation - net of current portion	6,578,619	7,748,056
Deferred tax liabilities - net	8,559,677	8,108,305
Pension liabilities	2,764,096	2,600,756
Other noncurrent liabilities	50,149,664	43,233,816
Total Noncurrent Liabilities	385,771,866	368,666,195
Total Liabilities	642,431,056	610,453,364
Equity		
Equity attributable to owners of the parent		
Paid-in capital	75,001,174	75,001,174
Share-based payments	248,212	248,212
Remeasurement losses on defined benefit plans	(1,356,328)	(1,303,288)
Net unrealized gain (loss) on available-for-sale financial assets	295,040	(1,107,962)
Cumulative translation adjustments	5,075,657	2,794,303
Equity reserve	5,560,067	11,600,281
Equity conversion option	1,066,233	1,113,003
Retained earnings	176,803,787	170,302,028
Treasury stock	(2,300,000)	(2,300,000)
	260,393,842	256,347,751
Non-controlling interests	164,354,894	154,744,637
Total Equity	424,748,736	411,092,388
Total Liabilities and Equity	₱ 1,067,179,792	₱ 1,021,545,752