



November 18, 2014

**THE PHILIPPINE STOCK EXCHANGE, INC.**

3F Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention : MS. JANET A. ENCARNACION  
*Head, Disclosure Department*

Dear Ms. Encarnacion:

This refers to your request to clarify the news article titled, "Ayala sees 2014 profit growing 25-30%" posted on The Manila Times (Internet Edition) on November 17, 2014. The article reported in part that:

"AYALA Corp. (AC) is expecting to post 25 to 30 percent growth in net income for 2014 on the back of increased projects in power and infrastructure and the strong performance of its telecommunications business.

'Last year, we have about P14 billion [core] net income. So this year, we want to have about 25 to 30 percent increase on that,' Paolo Borrromeo, AC's head of Corporate Strategy and Development, told reporters after the listing of AC's P13.5-billion preferred class B shares.

AC is projecting its core net income to reach P19 billion this year from P14.8 billion last year, while net income is seen hitting P16 billion to P16.5 billion from P12.8 billion a year ago.

Borrromeo said that growth will come from AC's investments in power and infrastructure projects, as well as the sustained telecommunications business.

AC Chief Finance Officer Delfin Gonzales Jr. said in the same briefing that the company is set to borrow \$1.6 billion to fund its additional 1,600-megawatt (MW) power capacity, which is targeted to go online by 2018.

Gonzales said the 1,600 MW plant will be composed of two coal-fired power projects: the 600 MW Kauswagan plant in Lanao del Norte, and the capacity expansion of its 660 MW Bataan plant to 1,000 MW. The company's existing capacity is 350 MW.

'When these two big plants come into operation, we will presell the output through power service agreements. Once operating, we'll start to book revenues and income,' Gonzales said.

'Certainly in 2019, we'll be seeing significant contributions coming from these investments. We look forward to the [return on equity] in the high teens on a levered

basis,' he added, noting the company will reap bulk of the power revenues by 2017 to 2019.

Borromeo said the 1,600 MW target by 2018 is a revision to the company's previous target of 1,000 MW capacity by 2016.

...."

We wish to clarify the abovementioned statements attributed to Ayala's Group Head of Corporate Strategy and Development Mr. Paolo Borromeo and Chief Finance Officer Mr. Delfin Gonzalez Jr. The 25-30% net income growth mentioned in the news article pertains to the company's year-on-year target for 2014 and does not serve as profit guidance. Further, we clarify that the abovementioned projections of P19 billion and P16-16.5 billion on Ayala's 2014 core net income and net income, respectively were not made by the company.

On the funding of power projects, we clarify that Ayala is allocating US\$300 million to finance 90% of the equity requirement of its investee companies that will build the 600-megawatt GNPower Kauswagan in Lanao Del Norte and another US\$300 million to fund 50% of the equity requirement for the 1,320-megawatt expansion of GNPower in Bataan.

In addition, we clarify that each of these investee companies will be raising project finance at their level amounting to about US\$600 million and US\$1 billion for the Lanao Del Norte and Bataan plants, respectively. These amounts will be drawn by the investee companies over a three to four-year period. Since the debt and project finance will not be raised at the Ayala parent level, these do not entail any recourse to the company.

We hope to have clarified the abovementioned news article.

Very truly yours,



**PAOLO F. BORROMEIO**

Group Head, Corporate Strategy and Development

Cc: SECURITIES & EXCHANGE COMMISSION

Attention: Mr. VICENTE GRACIANO P. FELIZMENIO, JR.  
*Director, Markets and Securities Regulation Department*

PHILIPPINE DEALING & EXCHANGE CORPORATION

Attention: Ms. VINA VANESSA S. SALONGA  
*Head, Issuer Compliance and Disclosure Department*