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1H 2016 EARNINGS RELEASE

Ayala's net income climbs 32% to ₱13.8 billion in the first semester

Ayala Corporation's net income climbed 32 percent in the first half of the year to ₱13.8 billion as its banking, real estate, power, and automotive businesses delivered robust results.

Equity earnings from Ayala's business units reached ₱16.4 billion in the first semester, 24 percent higher from a year ago, boosted by strong contributions from the Bank of the Philippine Islands, which jumped 32 percent, and Ayala Land, which expanded 16 percent. In addition, Ayala's unlisted businesses registered solid performance in the first semester led by AC Energy and Ayala Automotive, which both expanded threefold.

"Most of our business units recorded an overall strong performance in the first half of the year. Among our new businesses, our power unit is starting to contribute significantly to our bottomline," Ayala President and Chief Operating Officer Fernando Zobel de Ayala said. "We continue to strengthen our portfolio by entering new industries or reinventing our existing businesses. For instance, we are developing an automotive and manufacturing portfolio in order to maximize synergies in the Ayala group and take advantage of the exciting opportunities in this space," Mr. Zobel added.

Real Estate

Ayala Land's net profits expanded 16 percent to ₱9.7 billion in the first semester largely driven by strong revenue growth and higher margins of its residential and leasing businesses.

Revenues from the property development segment, composed of sales from residential units, office spaces, and commercial lots, grew 6 percent to ₱36 billion. The sustained demand in Ayala Land's higher end and mid-range brands lifted its residential development revenues, up 8 percent to ₱29 billion. Reservation sales went up 5 percent to ₱55.1 billion, while booked sales improved 8 percent to ₱33.3 billion.

Meanwhile, office space sales jumped 44 percent driven by the completion of the Alveo Financial Tower. In commercial leasing, revenues from shopping centers climbed 16 percent to ₱7 billion on higher contribution from newly opened malls, while revenues from office leasing increased 6 percent to ₱2.6 billion supported by newly launched office spaces. Together with hotels and

resorts, mall and office leasing, the recurring income business contributed 40 percent to Ayala Land's net income during the first half of the year.

Ayala Land spent ₱43.4 billion in capital expenditures during the period, accounting for 51 percent of its budget of ₱84.5 billion earmarked for the year.

Banking

Bank of the Philippine Islands registered robust results in the first semester with net income soaring 36 percent to ₱12.7 billion bolstered by its core banking business and securities trading gains during the period.

BPI's comprehensive income, which represents the net change in fair value reserve on the bank's available for sale securities and investments of insurance subsidiaries, jumped 54 percent to ₱13.9 billion. Total revenues expanded 21 percent to ₱35.2 billion. Net interest income grew 10 percent to ₱20.7 billion as the bank's average asset base expanded 12 percent.

BPI's non-interest income surged 42 percent to ₱14.5 billion primarily driven by securities trading gains and higher income from bank fees and commissions, bancassurance, and capital markets. Last June, taking advantage of a rallying bond market, the bank sold a portion of its hold-to-maturity securities to fund loan growth, reduce relatively expensive deposits, and enhance capital.

BPI's total loans expanded 19 percent to ₱904.4 billion largely driven by its corporate segment, which climbed 20 percent. Total deposits increased 11 percent to ₱1.3 trillion with current and savings account ratio at 73.5 percent. The bank's total assets stood at ₱1.6 trillion during the first half of the year, 11 percent higher than a year ago.

Telecom

The increasing demand for data-related services across mobile, broadband, and corporate segments continued to drive Globe's topline growth, with service revenues climbing 11 percent to ₱59.6 billion in the first half of the year. In addition, Bayan, which contributed ₱3 billion in standalone revenues, supported Globe's growth trajectory during the period.

The increases in depreciation arising from its capital expenditure programs completed in 2015 and Bayan's depreciation charges and non-operating charges tempered Globe's net earnings during the period, up 3 percent to ₱9 billion from a year ago. Its core net income, which excludes the impact of non-recurring charges, foreign exchange gains, and mark-to-market charges, went up 2 percent to ₱8.8 billion.

Mobile revenues grew 3 percent to ₱45.7 billion in the first half of the year largely driven by strong subscriber expansion in the prepaid segment. Mobile data service revenues surged 46 percent to ₱17.8 billion supported by rising smartphone penetration coupled with Globe's data-driven products and offerings. At the end of June 2016, Globe's mobile subscribers stood at 61.3 million, a 20 percent-growth year-on-year.

In home broadband, Globe posted a 49 percent growth in revenues as it expanded its subscriber base, reaching 1.14 million customers in the first semester, a 38 percent-jump from the previous year. Similarly, Globe's corporate data business surged 55 percent to ₱4.9 billion in the first semester on the back of strong demand for digital services and data connectivity solutions.

This translated to a 13 percent growth in consolidated EBITDA to ₱25.6 billion in the first semester, with EBITDA margin at 43 percent, slightly higher than the 42 percent recorded in the previous year.

Under a co-use agreement approved by the National Telecommunications Commission, Globe is currently rolling out its LTE service using the 700 megahertz and 2500 megahertz frequencies which form part of the telecommunications assets acquired from San Miguel Corporation. It has so far deployed over 80 700MHz cell sites nationwide and over 600 2500MHz cell sites in the Visayas and Mindanao regions to cover large enterprises and highly urbanized areas. This acquisition of frequency assets had no impact in Globe's first semester results.

Water

The continued expansion in the Metro Manila East Zone combined with the solid performance of its domestic businesses drove the 3 percent growth in Manila Water's net earnings in the first semester to ₱3.1 billion. This balanced out the 3 percent tariff reduction in the Metro Manila East Zone concession.

Billed volume in the East Zone improved 5 percent as a result of the expansion in the Taguig, Pasig, and Rizal areas. The non-revenue water ratio was steady at 11.4 percent while collection efficiency remained solid at 100 percent. Manila Water's domestic operating subsidiaries sustained its momentum, with Laguna Water, Boracay Water, Clark Water, and Cebu Water posting a consolidated billed volume growth of 11 percent.

Contribution from its businesses outside the East Zone expanded 5 percent, accounting for 14 percent of Manila Water's net income in the first half of the year.

Estate Water, Manila Water's private full-service water and used water operator, is in discussion with various property developers for potential projects in the country. Early this year, Estate

Water partnered with Ayala Land to provide water and used water services to the 56 mixed use developments of Ayala Land nationwide.

Manufacturing and Automotive

IMI posted a flat net income in the first semester at \$15 million, as higher margins from the automotive and industrial product segments and line productivity and cost savings initiatives were partially offset by foreign exchange headwinds due to a stronger dollar. Operating income climbed 19 percent year-over-year to \$20.7 million.

Revenues slipped 2 percent to \$410 million owing to a decline in the consumer and computing segments, offsetting the growth in the automotive, industrial, and telecommunications segments.

IMI's Europe and Mexico operations recorded \$153.4 million in revenues in the first half, an 11.5 percent improvement from a year ago on higher demand for automotive body controls and lighting systems assembled in Bulgaria and Czech Republic.

IMI's China operations posted \$130.4 million in revenues, down 10.7 percent year-on-year mainly due to weak performance of the consumer electronics lines. Revenues for IMI's EMS operations in the Philippines was flat at \$109.6 million. Lines for automotive cameras, security and access controls, asset tag sensors, and lighting controls continued on the growth path, partially offsetting the weak storage device business.

In automotive, Ayala Automotive sustained its growth trajectory, more than tripling its net earnings to ₱402 million in the first half of the year. This was supported by strong sales across the Honda and Isuzu brands, lifted by higher contributions from the Isuzu distribution businesses.

Power and Transport

In power, AC Energy almost tripled its net income for the same period from the previous year to ₱578 million, largely driven by higher equity earning contributions from its operating thermal plants, GNPowr Mariveles in Bataan and South Luzon Thermal Energy Corporation in Batangas.

In July, GNPowr Kauswagan (GNPK), AC Energy's limited partnership with the Philippine Investment Alliance for Infrastructure (PINAI) Fund and Power Partners Ltd., achieved financial close for the fourth unit of its 4 x 151 MW (gross) thermal facility in Kauswagan, Lanao del Norte. Construction of the GNPK project is in full swing and the first three units are expected to be completed by 2018. GNPK will operate as a baseload plant to support the power demand and economic development of Mindanao.

AC Energy currently has around 750MW in attributable capacity across its thermal and renewable platforms, and is expected to exceed 1,000 megawatts of attributable capacity by the end of 2016.

In transport, AC Infrastructure recorded a net income of ₱27 million in the first semester following the system takeover of LRT1 in September 2015. AC Infrastructure currently has three (3) operating public-private partnership projects in its portfolio – the 4-kilometer MCX toll road, the Beep ticketing system, and the extension, operations and maintenance of LRT1.

Balance Sheet

Ayala's balance sheet remained healthy. At the end of June 2016, cash at the parent level stood at ₱31.2 billion, with debt at ₱81.4 billion. Ayala maintains a comfortable gearing level with net debt to equity ratio at 0.43 at the parent level and 0.61 at the consolidated level. The conglomerate's loan-to-value ratio or the ratio of its parent net debt to the value of its investments stood at 8.1 percent at the end of June.

Last July, Ayala raised ₱10 billion from the issuance of 3.920% fixed-rate bonds due 2023. The issuance is the first tranche of its ₱20 billion fixed rate bonds program. The bond was rated "PRs Aaa" by the Philippine Ratings Services Corporation and was listed in the Philippine Dealing Exchange. Last June, Ayala declared a cash dividend of ₱2.88 per share.

END



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

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
INCOME		
Sale of goods	61,588,165	56,986,624
Rendering services	29,319,694	26,386,463
Share of profit of associates and joint ventures	10,128,567	7,524,701
Interest income	3,281,852	3,567,562
Other income	4,036,021	3,223,472
	108,354,299	97,688,822
COSTS AND EXPENSES		
Costs of sales	48,349,786	44,695,559
Costs of rendering services	15,843,976	14,891,249
General and administrative	8,398,833	7,863,122
Interest expense and other financing charges	6,685,092	6,279,939
Other charges	2,110,430	1,546,600
	81,388,117	75,276,469
INCOME BEFORE INCOME TAX	26,966,182	22,412,353
PROVISION FOR INCOME TAX		
Current	4,485,862	4,684,421
Deferred	353,123	(381,880)
NET INCOME	22,127,197	18,109,812
Net Income Attributable to:		
Owners of the parent	13,772,428	10,400,554
Non-controlling interests	8,354,769	7,709,258
	22,127,197	18,109,812
EARNINGS PER SHARE		
Basic	21.18	15.75
Diluted	20.90	15.51



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands)

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	68,829,891	82,154,542
Short-term investments	586,265	2,052,288
Accounts and notes receivable - net	98,526,553	82,595,788
Inventories	77,362,776	68,430,908
Other current assets	27,000,566	27,617,032
Total Current Assets	272,306,051	262,850,558
Noncurrent asset held for sale		
	272,306,051	262,850,558
Noncurrent Assets		
Noncurrent accounts and notes receivable	40,778,690	41,793,499
Land and improvements	95,974,646	92,894,879
Investments in associates, joint ventures and others - net	177,574,140	162,711,420
Investment in bonds & other securities	3,263,880	3,737,816
Investment in real properties - net	95,757,870	83,669,492
Property, plant and equipment - net	45,949,361	39,644,489
Service concession assets - net	79,828,347	78,828,840
Intangible assets	3,576,829	3,909,603
Deferred tax assets	9,287,436	9,742,797
Pension and other noncurrent assets	19,127,270	14,291,330
Total Noncurrent Assets	571,118,469	531,224,165
Total Assets	843,424,520	794,074,723
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	157,591,081	145,597,876
Short-term debt	33,963,286	24,387,515
Income tax payable	1,056,472	1,943,217
Current portion of:		
Long-term debt	14,677,626	28,153,532
Service concession obligation	724,203	1,255,644
Other Current Liabilities	11,068,941	4,629,680
Total Current Liabilities	219,081,609	205,967,464
Noncurrent Liabilities		
Long-term debt - net of current portion	234,027,987	210,799,647
Service concession obligation - net of current portion	7,918,657	7,538,374
Deferred tax liabilities	7,178,832	6,440,505
Pension liabilities	2,427,097	2,545,978
Other noncurrent liabilities	25,164,374	32,238,772
Total Noncurrent Liabilities	276,716,947	259,563,276
Total Liabilities	495,798,556	465,530,740
Equity		
Equity attributable to equity holders of Ayala Corporation		
Paid-in capital	74,267,365	73,919,322
Cumulative translation adjustments	304,364	288,683
Cost of share based payments	332,269	568,847
Remeasurement gains/losses on defined benefit plans	(1,268,052)	(1,249,716)
Net Unrealized gain on available-for-sale financial assets	(187,225)	(554,297)
Equity reserve	12,416,810	12,402,311
Equity - conversion option	1,113,745	1,113,745
Retained earnings	136,454,738	124,468,464
Treasury stock	(2,300,000)	(2,300,000)
Preferred shares held by a subsidiary		
	221,134,014	208,657,359
Non-controlling interests	126,491,950	119,886,624
Total Stockholders' Equity	347,625,964	328,543,983
Total Liabilities and Equity	843,424,520	794,074,723

Ayala Corporation

1H 2016 Earnings Release | August 11, 2016

7 | Page