March 12, 2018

Securities and Exchange Commission
SEC Building, Mandaluyong City

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

The Philippine Stock Exchange, Inc.
6th Floor, PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Mr. Jose Valeriano B. Zuño III**
Head, Disclosure Department

Philippine Dealing and Exchange Corporation
37/F Tower 1, The Enterprise Center
6766 Ayala Ave. cor. Paseo de Roxas, Makati City

Attention: **Ms. Vina Vanessa S. Salonga**
Head, Issuer Compliance and Disclosure Department

Mesdames/Gentlemen:

Please be informed that Ayala Corporation recorded a net income of ₱30.3 billion in 2017, climbing 16 percent from the previous year on the back of robust double-digit growth of its real estate and power businesses.

Very truly yours,

JOSE TEODORO K. LIMCAOCO
Chief Finance Officer

12 March 2018
FULL-YEAR 2017 EARNINGS RELEASE

Ayala posts ₱30.3 billion in net income in 2017, up 16%

Ayala Corporation recorded a net income of ₱30.3 billion in 2017, climbing 16 percent from the previous year on the back of robust double-digit growth of its real estate and power businesses.

The positive results were buoyed by strong equity earnings contributions from Ayala's business units, which reached ₱35.8 billion, 12 percent higher from a year ago. This was led by Ayala Land and AC Energy, whose equity earnings contributions expanded 21 percent and 30 percent, respectively.

"We are happy to see this earnings momentum sustained for the sixth consecutive year as the expansion strategy across our portfolio of businesses continues to bear fruit. Consistent double-digit growth since 2012 has translated to a compounded annual growth rate of 22 percent. We remain positive about our trajectory as we move closer to our 2020 goals," Ayala Corporation President and COO Fernando Zobel de Ayala said.

Real Estate

The resurgence of property sales combined with a solid leasing business drove Ayala Land's net earnings during the year, jumping 21 percent to ₱25.3 billion.

Revenues from property development, which includes residential and office-for-sale developments, as well as commercial lot sales, rose 23 percent to ₱101.5 billion on new bookings and project completion. Growth in reservation sales bounced back to double-digit levels during the year at 13 percent, reaching ₱122 billion.

Commercial leasing revenues, meanwhile, grew 10 percent to ₱31 billion driven by new mall openings, stabilized occupancy of office spaces, and the improved performance of its hotels and resorts portfolio.

Ayala Land's strategy to rebalance its net income mix is increasingly taking shape. In terms of location, established estates (Makati, Nuvali, Bonifacio Global City, Alabang and Cebu) accounted for 54 percent, while new estates and growth centers made up for 46 percent of Ayala Land's net earnings in 2017. In terms of business line, Ayala Land's recurring income (mall and office leasing, hotels and resorts, and property management segments) accounted for 35 percent, while development income (property sales and construction) contributed 65 percent of Ayala Land's net income during the year.

Ayala Land spent ₱91.4 billion in capital expenditure during the year. It launched 28 residential projects amounting to ₱88.8 billion. In leasing, it opened five new malls with 189,000 in gross leasable area, and six new offices with 185,000 in gross leasable area. In addition, it opened six new hotel and resort facilities, adding 556 rooms to its portfolio in 2017.

Banking

Bank of the Philippine Islands recorded a net income of ₱22.4 billion, up 1.7 percent from its year-ago level, as the absence of one-off gains tempered strong growth in its core banking business during the year. Excluding one-off gains from the sale of securities in 2016, net income grew 31 percent in 2017.

Total revenues rose seven percent to ₱71 billion as net interest income expanded 13 percent to ₱48 billion driven by asset growth and improvement in net interest margin. Non-interest income, meanwhile, dropped five percent to ₱22.9 billion on the absence of significant trading gains registered in 2016. This was partially offset by the bank's higher fee-based income, which grew 16 percent to ₱19.9 billion, lifted by higher credit card fees, trust and investment management fees, insurance fees, bank commissions, and service charges.

BPI continues to be a leader in profitability metrics, with cost-to-income ratio at 54.3 percent, slightly higher from the 52.5 percent posted a year ago, mainly driven by its digitalization initiatives.

Total loans jumped 16 percent to ₱1.2 trillion, boosted by corporate loans. Asset quality improved with the gross 90-day non-performing loans ratio declining from 1.46 percent to 1.29 percent and reserve cover ratio increasing from 119 percent to 129 percent.

Last year, BPI announced the creation of a business banking segment, a new client group focused on the banking needs of the country's small and medium scale enterprises. It also raised a record ₱12.2 billion from its offering of long-term negotiable certificates of time deposit, the largest issuance by far in the industry.

Last January, the bank announced a stock rights offering of up to ₱50 billion to support its strategic initiatives, including the strengthening of its market-leading businesses and core franchises through the expansion of lending activities across consumer, SME, and microfinance segments to capture positive momentum in the domestic economy. In addition, the stock rights offer will strengthen BPI's capital base as it pursues its growth strategy in the medium term. Ayala has signified its participation in the rights offering.

Telco

Globe Telecom's net earnings dropped five percent to ₱15.1 billion in 2017 due to higher operating expenses and depreciation charges as a result of increased investments in its data network.

Topline growth, however, remains strong, with service revenues reaching ₱127.9 billion during the year, up six percent year-on-year. This was fueled by sustained demand for data-related products. Mobile revenues grew seven percent to ₱98.5 billion. Globe's mobile subscriber base reached 60.7 million at the end of 2017, three percent lower from a year ago. The decline in the cumulative mobile subscriber base was a result of the change in reporting Globe's prepaid subscribers in 2017, which excluded prepaid subscribers who do not reload within 90 days of the second expiry period. Mobile data continues to drive Globe's total mobile revenues, accounting for 44 percent from 38 percent a year ago.

Globe's home broadband segment posted a seven percent increase in revenues to ₱15.6 billion in 2017. Total home broadband subscribers climbed 15 percent to 1.3 million year-on-year, putting Globe on track with its target to provide internet service to two million homes by 2020. Corporate data business increased four percent from a year ago to ₱10.3 billion owing to strong demand for data-driven solutions by corporates.

Globe's consolidated EBITDA improved seven percent to ₱53.3 billion, while EBITDA margin stood at 42 percent from 41 percent in the previous year.

Globe spent around ₱42.5 billion in capital expenditure in 2017 to support its continuous network infrastructure enhancement. It launched new products to enable the Filipino digital lifestyle, including Mynt's rollout of the GCash scan-to-pay system in malls, fastfood chains, major retailers, and convenience stores.

Water

Manila Water posted a muted net income growth of one percent to ₱6.2 billion as higher operating expenses and business development costs tempered topline growth during the year.

Revenues rose five percent to ₱18.5 billion, bolstered by strong revenue contributions from Laguna Water and Boracay Water, as well as higher supervision fees recognized by Estate Water balancing out flat revenue growth in the Manila Concession.

Operating expenses expanded 19 percent to ₱7.4 billion on higher overhead costs owing to Estate Water's expansion, business development costs, and a one-time write-off of uncollectible accounts in Laguna Water.

Manila Water posted higher billed volume across all its business lines, with the non-Manila Concession posting strong double-digit billed volume growth. This brought total billed volume to 738.7 million cubic meters, three percent higher year-on-year. In the Manila Concession, the two percent-increase in billed volume helped offset the impact of tariff reduction.

Manila Water continues to intensify its infrastructure build-up with a 48 percent expansion in capital expenditures. Last year, the Manila Concession completed the Marikina North Sewerage Treatment Plant, while the Pasig North and South System Project is scheduled for completion in November 2019. Both projects have a capacity of 100 million liters per day.

Further, Manila Water received a notice of award from the City of Ilagan Water District to establish a joint venture for a bulk water supply and septage management company. Manila Water also received a notice of award from the Leyte Metropolitan Water District to establish a joint venture for a concession company. As part of its ongoing expansion in Southeast Asia, Manila Water is establishing a footprint in Thailand with the signing of a share purchase agreement in February to acquire an 18.72 percent stake in Eastern Water Resources Development and Management Public Company Limited, a publicly-listed water supply and distribution company in Thailand.

Power

AC Energy's net earnings jumped 31 percent to ₱3.5 billion in 2017, primarily driven by fresh equity earnings contribution from its geothermal platform, and boosted by solid contributions from its wind energy assets.

A strong wind regime bolstered the better performance of NorthWind and North Luzon Renewables during the year. Services income derived from the financial close of a new power plant likewise contributed to AC Energy's net earnings.

AC Energy continues to execute on its diversification strategy. Following the acquisition of Salak and Darajat Geothermal in Indonesia in early 2017, AC Energy is assembling a portfolio of renewable energy assets in Southeast Asia. It is developing a 75 megawatt wind project in Sidrap, Indonesia, which is expected to come online in the first quarter of 2018.

Last January, AC Energy, in partnership with BIM Group of Vietnam, agreed to jointly develop over 300 megawatts of solar power projects in Ninh Thuan province, Vietnam. The initial 30 megawatts of the solar project broke ground, with investment for this phase expected to reach 800 billion VND and to be completed within the year. The solar project is envisioned to be expanded by an additional 300 megawatts.

Similarly, AC Energy is boosting its conventional energy portfolio. Last December, the project financing for the second unit of its 2 x 668 MW super-critical coal fired power plant in Bataan, GNPower Dinginin, achieved financial close. AC Energy has approximately 50 percent economic stake in the project, which has an estimated cost of US$1.7 billion. The project will support the increasing electricity demand of Luzon and Visayas. Construction of the first unit is well underway, and is targeted for commercial operations by 2019, with the second unit scheduled for completion by 2020.

Industrial Technologies

AC Industrials registered a net income of ₱1.2 billion, up four percent from its year-ago level, on better performance of both its electronics manufacturing and vehicle retail units.

IMI's net earnings expanded 21 percent to US$34 million on the back of solid revenue growth, which exceeded the US$1 billion mark during the year. This topline growth was driven by contribution from recent acquisitions and sustained growth in the automotive and industrial markets.

Last February, IMI successfully completed its ₱4.998 billion rights offer with the issue of 350 million common shares to existing shareholders. AC Industrials, which previously held 50.6 percent of IMI's outstanding shares, subscribed to its proportionate share, as well as any unsubscribed rights shares. This raised its stake in IMI to 52 percent. Proceeds of the rights offer will be used to fund IMI's capital expenditure program and for debt refinancing.

Meanwhile, revenues from AC Automotive expanded 37 percent to ₱31.2 billion, boosted by strong sales across all brands—Honda, Isuzu, Volkswagen, and KTM.

AC Industrials continues to ramp up its portfolio in global and domestic industrial technologies by capitalizing on opportunities arising from disruptive technological shifts, changing industry landscapes, and increasing demand from end-users. Last month, AC Industrials acquired a controlling stake in Merlin Solar Technologies Inc., with an ownership interest of 78.2 percent after the close of the transaction and completion of other related activities. Merlin is an emerging company that is developing differentiated solar solutions resulting in products with high durability, flexibility, and increased solar power output, allowing for potentially innovative applications in areas with demanding environments, such as transportation and infrastructure. Headquartered in San Jose, California, Merlin currently has additional manufacturing facilities in Thailand.

Infrastructure

As it executes on the three public-private partnership projects in its portfolio, AC Infrastructure is pursuing opportunities to expand its portfolio in the transport and infrastructure network space.

Last February, as part of a consortium, AC Infra submitted an unsolicited proposal for the rehabilitation, upgrade, expansion, operation, and maintenance of the Ninoy Aquino International Airport.

In the same month, AC Infra signed an agreement to invest in a company that will engage in the provision of fulfillment solutions services. AC Infra will own a stake of up to 60 percent, while the remaining 40 percent will be held by ZALORA affiliate, Brillant 1257 GmbH & Co. Vierte Verwaltungs Kg, which is based in Germany. This investment forms part of Ayala's strategy to develop infrastructure that will result in better efficiencies and improve the fulfillment processes of its existing businesses in real estate, banking, telecommunications, and e-commerce.

Education

Ayala is ramping up its investments in the education space. In January 2018, it announced that it had signed a non-binding term sheet for a potential merger with iPeople Inc., the listed holding company for the education sector of the Yuchengco-led House of Investments. The potential merger would include iPeople and its subsidiary, Malayan Education System, which operates Mapua University, Malayan Colleges Laguna, and Malayan Colleges Mindanao, with a combined population of approximately 17,000 students. Mapua is one of the leading private engineering and technical universities in the country, with the most number of Commission on Higher Education-recognized Centers of Excellence in Engineering. It has also obtained a world ranking as a QS-3 Star university.

The potential merger would also include AC Education's subsidiaries, the University of Nueva Caceres, one of the oldest and largest universities in Bicol with over 8,000 students, and APEC Schools, the largest stand-alone chain of private high schools in the country with over 16,000 students.

In February 2018, AC Education executed a share purchase agreement for the acquisition of approximately 96 percent of National Teachers College, which would also be included in the potential merger. With approximately 10,000 students, Manila-based NTC would complement the offerings of AC Education and iPeople.

Healthcare

AC Health continues to scale up its platforms in retail pharmacy and primary care. Generika, its retail network of affordable quality generic medicines, recorded ₱3.3 billion in revenues, up 15 percent from a year ago on higher retail sales and store expansion. It opened 100 stores in 2017, bringing total store count to 750. AC Health is targeting to ramp up Generika's total store count to 850 by the end of 2018.

Generika was awarded the first ASEAN Inclusive Business Award, a new category introduced during the 10th ASEAN Business Awards held in 2017. This award recognizes innovative business models in the region that create concrete social impact by providing underserved communities with access to basic services and income opportunities. The ASEAN Business Awards was launched by the ASEAN Business Advisory Council in 2007 to recognize companies that contributed to the growth and prosperity of the ASEAN economy.

Meanwhile, FamilyDOC, AC Health's chain of community-based primary care clinics, now operates 25 clinics, serving over 85,000 unique patients from its current locations in Cavite, Laguna, Las Piñas, Parañaque, Taguig, Pateros, Pasig, and Quezon City. AC Health targets to open 33 new FamilyDOC clinics in 2018.

Capital Expenditure

The Ayala group is increasing its capital expenditures this year by 44 percent to ₱249 billion, largely to support the parent's own investment program as well as the growth strategies of Ayala Land, Globe, and Manila Water.

At the parent level, Ayala has earmarked ₱51.8 billion in capital spending this year, primarily to fund its subscription to BPI's stock rights offering and its investments in AC Energy, AC Industrials, AC Education, and AC Health.

Balance Sheet

Ayala's balance sheet remains at a comfortable level. At the parent level, cash amounted to ₱18.6 billion while debt stood at ₱83.3 billion at the end of 2017. Net debt-to-equity ratio during the period was 0.59 at the parent level and 0.69 at the consolidated level. Ayala's loan-to-value ratio, the ratio of its parent net debt to the total value of its investments, stood at 6.4 percent at the end of 2017. Consolidated assets of the Ayala group stood at ₱1.02 trillion, 12 percent higher from the previous year.

In September last year, Ayala issued US$400 million senior perpetual bonds with an annual coupon rate of 5.125 percent with no reset nor step-up, a first in the Philippines. The issuance allows Ayala to optimize its average cost of funding, extend its debt maturity profile, and diversify its funding source.

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AYALA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	December 2017	December 2016
REVENUES		
Sale of goods	₱ 178,676,125	₱ 137,307,163
Rendering of services	63,551,515	61,901,736
Share of profit of associates and joint ventures	18,494,458	18,153,893
Interest income	5,409,944	3,776,569
Dividend income	653,721	570,455
	266,785,763	221,709,816
COSTS AND EXPENSES		
Costs of sales	132,793,134	105,752,969
Costs of rendering services	42,881,335	35,597,431
General and administrative	25,213,100	20,932,709
	200,887,569	162,283,109
OTHER INCOME (CHARGES)		
Interest income	1,403,536	3,000,367
Other income	20,938,275	12,575,606
Interest and other financing charges	(14,441,334)	(14,258,189)
Other charges	(11,672,137)	(6,804,908)
	(3,771,660)	(5,487,124)
INCOME BEFORE INCOME TAX	62,126,534	53,939,583
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	14,629,398	11,357,136
Deferred	(2,369,639)	(850,162)
	12,259,759	10,506,974
NET INCOME	₱ 49,866,775	₱ 43,432,609
Net Income Attributable to:		
Owners of the parent	₱ 30,263,842	₱ 26,011,263
Non-controlling interests	19,602,933	17,421,346
	₱ 49,866,775	₱ 43,432,609
EARNINGS PER SHARE		
Basic	₱ 46.67	₱ 39.88
Diluted	₱ 45.99	₱ 39.31

AYALA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 2017	December 2016
ASSETS		
Current Assets		
Cash and cash equivalents	₱ **64,259,279**	₱ 60,223,324
Short-term investments	**5,400,239**	1,008,705
Accounts and notes receivable	**124,109,122**	116,841,963
Inventories	**76,542,538**	76,752,875
Other current assets	**45,324,695**	33,638,483
Total Current Assets	**315,635,873**	288,465,350
Noncurrent Assets		
Noncurrent accounts and notes receivable	**45,774,058**	36,484,347
Land and improvements	**93,869,008**	101,049,171
Investments in associates and joint ventures	**202,649,300**	180,313,743
Investment properties	**137,657,633**	110,916,644
Property, plant and equipment	**85,430,631**	64,074,471
Service concession assets	**91,049,570**	82,422,249
Intangible assets	**16,705,000**	9,716,403
Deferred tax assets - net	**12,720,910**	12,414,647
Pension and other noncurrent assets	**20,053,768**	25,847,478
Total Noncurrent Assets	**705,909,878**	623,239,153
Total Assets	**₱ 1,021,545,751**	₱ 911,704,503
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	₱ **29,904,723**	₱ 30,858,137
Accounts payable and accrued expenses	**169,652,527**	164,600,578
Income tax payable	**1,710,260**	2,270,315
Current portion of:		
Long-term debt	**13,731,967**	19,792,669
Service concession obligation	**803,898**	754,519
Other current liabilities	**25,983,793**	17,522,984
Total Current Liabilities	**241,787,168**	235,799,202
Noncurrent Liabilities		
Long-term debt - net of current portion	**306,975,262**	245,203,145
Service concession obligation - net of current portion	**7,748,056**	6,822,862
Deferred tax liabilities - net	**8,108,305**	9,543,754
Pension liabilities	**2,600,755**	2,469,140
Other noncurrent liabilities	**43,233,816**	40,870,522
Total Noncurrent Liabilities	**368,666,194**	304,909,423
Total Liabilities	**610,453,362**	540,708,625
Equity		
Equity attributable to owners of the parent		
Paid-in capital	**75,001,174**	74,379,760
Share-based payments	**248,212**	495,759
Remeasurement losses on defined benefit plans	**(1,303,288)**	(1,548,192)
Net unrealized loss on available-for-sale financial assets	**(1,107,962)**	(466,676)
Cumulative translation adjustments	**2,794,303**	1,414,550
Equity reserve	**11,600,281**	12,211,275
Equity conversion option	**1,113,003**	1,113,745
Retained earnings	**170,302,029**	145,622,311
Treasury stock	**(2,300,000)**	(2,300,000)
	256,347,752	230,922,532
Non-controlling interests	**154,744,637**	140,073,346
Total Equity	**411,092,389**	370,995,878
Total Liabilities and Equity	**₱ 1,021,545,751**	₱ 911,704,503