COVER SHEET

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AYALA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

32F TO 35F, TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY

(Business Address: No. Street City / Town / Province)

Josephine G. De Asis	**908-3000**
Contact Person	Company Telephone Number

12 31	17-Q	
Month *Day*		*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

CFD	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

6687	P50B. bonds	
Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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Remarks = pls. Use black ink for scanning purposes

SEC No. 34218
File No. _____

AYALA CORPORATION

(Company's Full Name)

32F to 35F, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

(Company's Address)

908-3000

(Telephone Number)

March 31, 2017

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2017**

2. SEC Identification No.: **34218**

3. BIR Tax Identification No. **000-153-610-000**

4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of principal office: **32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City** Postal Code: **1226**

8. Registrant's telephone number: **(632) 908-3000 / 908-3357**

9. Former name, former address, former fiscal year: **Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares issued & outstanding As of March 31, 2017
Preferred A	12,000,000*
Preferred B Series 1	20,000,000**
Preferred B Series 2	27,000,000***
Voting Preferred	200,000,000
Common	620,726,154

** All are in treasury shares*
*** Net of 8,000,000 treasury shares*
**** Net of 3,000,000 treasury shares*

Amount of debt outstanding as of March 31, 2017: **P50 billion in bonds******

*****amount represents only debt of Ayala Corporation registered with Philippine SEC. The debt of subsidiaries registered with SEC are reported in their respective SEC17Q report.*

11. Are any or all of these securities listed in the Philippine Stock Exchange? Yes [**x**] No [ ]

As of March 31, 2017, a total of 616,784,515 common shares, 12,000,000 preferred A ("ACPA") shares, 28,000,000 preferred B series 1 ("ACPB1") shares, and 30,000,000 preferred B series 2 ("ACPB2") shares are listed in the Philippine Stock Exchange ("PSE"). A total of 12,000,000 ACPA shares, 8,000,000 ACPB1 shares, and 3,000,000 ACPB2 shares are held in Treasury by the Company.

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [**x**] No [ ]

(b) has been subject to such filing requirements for the past 90 days: Yes [**x**] No [ ]

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

	March 2017 Unaudited	December 2016 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**64,034,466**	60,223,324
Short-term investments (Note 5)	**1,399,200**	1,008,705
Accounts and notes receivable (Note 6)	**129,748,791**	116,841,963
Inventories (Note 7)	**58,486,185**	76,752,875
Other current assets (Note 8)	**39,883,321**	33,638,483
Total Current Assets	**293,551,963**	288,465,350
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	**33,944,451**	36,484,347
Land and improvements (Note 9)	**103,887,914**	101,049,171
Investments in associates and joint ventures (Note 10)	**192,966,572**	180,313,743
Investment properties (Note 12)	**115,169,596**	110,916,644
Property, plant and equipment	**67,855,929**	64,074,471
Service concession assets (Note 13)	**83,455,775**	82,422,249
Intangible assets (Note 11)	**11,634,520**	9,716,403
Deferred tax assets - net (Note 11)	**11,979,625**	12,414,647
Pension and other noncurrent assets (Note 8)	**27,327,005**	25,847,478
Total Noncurrent Assets	**648,221,387**	623,239,153
Total Assets	**941,773,350**	911,704,503
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	**30,565,517**	30,858,137
Accounts payable and accrued expenses (Note 14)	**170,229,539**	164,600,578
Income tax payable	**3,595,154**	2,270,315
Other current liabilities (Note 15)	**12,587,862**	17,522,984
Current portion of:		
Long-term debt (Note 16)	**19,599,723**	19,792,669
Service concession obligation	**737,005**	754,519
Total Current Liabilities	**237,314,800**	235,799,202
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**263,322,894**	245,203,145
Service concession obligation - net of current portion	**6,747,221**	6,822,862
Deferred tax liabilities - net	**8,639,021**	9,543,754
Pension liabilities	**2,171,845**	2,469,140
Other noncurrent liabilities (Note 15)	**42,539,535**	40,870,522
Total Noncurrent Liabilities	**323,420,516**	304,909,423
Total Liabilities	**560,735,316**	540,708,625
Equity		
Equity attributable to owners of the parent		
Paid-in capital (Note 17)	**74,578,681**	74,379,760
Share-based payments	**299,155**	495,759
Remeasurement losses on defined benefit plans	**(1,472,388)**	(1,548,192)
Net unrealized loss on available-for-sale financial assets	**(585,256)**	(466,676)
Cumulative translation adjustments	**1,942,581**	1,414,550
Equity reserve	**12,157,141**	12,211,275
Equity conversion option (Note 16)	**1,113,745**	1,113,745
Retained earnings (Note 17)	**152,553,575**	145,622,311
Treasury stock	**(2,300,000)**	(2,300,000)
	238,287,234	230,922,532
Non-controlling interests	**142,750,800**	140,073,346
Total Equity	**381,038,034**	370,995,878
Total Liabilities and Equity	**941,773,350**	911,704,503

See accompanying Notes to Unaudited Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousand Pesos, Except Earnings Per Share Figures)

	March 2017 (Unaudited)	March 2016 (Unaudited)
INCOME		
Sale of goods	**37,639,501**	30,461,801
Rendering of services	**16,453,172**	14,816,764
Share of profit of associates and joint ventures	**4,454,818**	4,153,597
Interest income	**1,644,861**	1,595,408
Other income	**3,034,520**	1,770,945
	63,226,872	52,798,515
COSTS AND EXPENSES		
Costs of sales	**30,105,434**	24,681,579
Costs of rendering services	**9,050,961**	7,778,955
General and administrative	**4,972,620**	4,078,135
Interest and other financing charges	**3,567,099**	3,236,243
Other charges	**1,421,763**	1,110,634
	49,117,877	40,885,546
INCOME BEFORE INCOME TAX	**14,108,995**	11,912,969
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**2,735,650**	2,054,263
Deferred	**(194,330)**	103,934
	2,541,320	2,158,197
NET INCOME	**11,567,675**	9,754,772
Net Income Attributable to:		
Owners of the parent	**6,931,265**	5,780,048
Non-controlling interests	**4,636,410**	3,974,724
	11,567,675	9,754,772
EARNINGS PER SHARE (Note 18)		
Basic	**10.65**	8.81
Diluted	**10.50**	8.68

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	March 2017 (Unaudited)	March 2016 (Unaudited)
NET INCOME	**11,567,675**	9,754,772
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translations of foreign investments	**698,535**	(437,568)
Changes in fair values of available-for-sale financial assets	**(292,561)**	(242,900)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit plans - net	**32,495**	(29,093)
	438,469	(709,561)
SHARE OF OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translations of foreign investments	**24,887**	(50,918)
Changes in fair values of available-for-sale financial assets	**173,330**	394,460
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit plans	**57,793**	(2,971)
	256,010	340,571
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**694,479**	(368,990)
TOTAL COMPREHENSIVE INCOME	**12,262,154**	9,385,782
Total Comprehensive Income Attributable to:		
Owners of the parent	**7,416,519**	5,471,986
Non-controlling interests	**4,845,635**	3,913,796
	12,262,154	9,385,782

See accompanying Notes to Unaudited Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousand Pesos)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT											
			Other Comprehensive Income									
	Paid-in Capital	Share-based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity - Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
At January 1, 2017	**74,379,760**	**495,759**	**(1,548,192)**	**(466,676)**	**1,414,550**	**12,211,275**	**1,113,745**	**145,622,311**	**(2,300,000)**	**230,922,532**	**140,073,346**	**370,995,878**
Net Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,931,264**	**-**	**6,931,264**	**4,636,410**	**11,567,674**
Other comprehensive income (loss)	**-**	**-**	**75,804**	**(118,580)**	**528,031**	**-**	**-**	**-**	**-**	**485,255**	**209,224**	**694,479**
Total comprehensive income (loss)	**-**	**-**	**75,804**	**(118,580)**	**528,031**	**-**	**-**	**6,931,264**	**-**	**7,416,519**	**4,845,634**	**12,262,153**
Exercise of ESOP/ESOWN	**198,921**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**198,921**	**-**	**198,921**
Cost of share-based payments	**-**	**(196,604)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(196,604)**	**-**	**(196,604)**
Cash Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,541,167)**	**(2,541,167)**
Change in non-controlling interests/Others	**-**	**-**	**-**	**-**	**-**	**(54,134)**	**-**	**-**	**-**	**(54,134)**	**372,987**	**318,853**
At March 31, 2017 (Unaudited)	**74,578,681**	**299,155**	**(1,472,388)**	**(585,256)**	**1,942,581**	**12,157,141**	**1,113,745**	**152,553,575**	**(2,300,000)**	**238,287,234**	**142,750,800**	**381,038,034**

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT											
			Other Comprehensive Income									
	Paid-in Capital	Share-based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity - Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
At January 1, 2016	73,919,322	568,847	(1,249,716)	(554,297)	288,683	12,402,311	1,113,745	124,468,464	(2,300,000)	208,657,359	119,886,624	328,543,983
Net Income	-	-	-	-	-	-	-	5,780,047	-	5,780,047	3,974,724	9,754,771
Other comprehensive income (loss)	-	-	(17,679)	151,715	(442,098)	-	-	-	-	(308,062)	(60,928)	(368,990)
Total comprehensive income (loss)	-	-	(17,679)	151,715	(442,098)	-	-	5,780,047	-	5,471,985	3,913,796	9,385,781
Exercise of ESOP/ESOWN	260,302	-	-	-	-	-	-	-	-	260,302	-	260,302
Cost of share-based payments	-	(235,603)	-	-	-	-	-	-	-	(235,603)	-	(235,603)
Cash Dividends	-	-	-	-	-	-	-	-	-	-	(2,711,476)	(2,711,476)
Change in non-controlling interests/Others	-	-	-	-	-	(184,731)	-	-	-	(184,731)	118,379	(66,352)
At March 31, 2016 (Unaudited)	74,179,624	333,244	(1,267,395)	(402,582)	(153,415)	12,217,580	1,113,745	130,248,511	(2,300,000)	213,969,312	121,207,323	335,176,635

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT											
			Other Comprehensive Income									
	Paid-in Capital	Share-based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity - Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
At January 1, 2016	73,919,322	568,847	(1,249,716)	(554,297)	288,683	12,402,311	1,113,745	124,468,464	(2,300,000)	208,657,359	119,886,624	328,543,983
Net Income	-	-	-	-	-	-	-	26,011,263	-	26,011,263	17,421,346	43,432,609
Other comprehensive income (loss)	-	-	(298,476)	87,621	1,125,867	-	-	-	-	915,012	624,140	1,539,152
Total comprehensive income (loss)	-	-	(298,476)	87,621	1,125,867	-	-	26,011,263	-	26,926,275	18,045,486	44,971,761
Exercise of ESOP/ESOWN	460,438	(321,094)	-	-	-	-	-	-	-	139,344	-	139,344
Cost of share-based payments	-	248,006	-	-	-	-	-	-	-	248,006	-	248,006
Cash Dividends	-	-	-	-	-	-	-	(4,857,416)	-	(4,857,416)	(5,335,772)	(10,193,188)
Change in non-controlling interests	-	-	-	-	-	(191,036)	-	-	-	(191,036)	7,477,008	7,285,972
At December 31, 2016 (Audited)	74,379,760	495,759	(1,548,192)	(466,676)	1,414,550	12,211,275	1,113,745	145,622,311	(2,300,000)	230,922,532	140,073,346	370,995,878

See accompanying Notes to Unaudited Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Pesos)

	March 2017 Unaudited	March 2016 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**14,108,994**	11,912,969
Adjustments for:		
Interest and other financing charges - net of amount capitalized	**3,567,099**	3,236,243
Depreciation and amortization	**3,259,216**	2,869,251
Cost of share-based payments	**2,317**	11,478
Provision for (reversal of) doubtful accounts	**7,370**	(4,303)
Provision for (reversal of) inventory obsolescence	**7,561**	(81,088)
Provision for impairment/Losses on investments in associates and joint ventures	**-**	146,201
Other investment loss	**54,539**	87,865
Gain on sale of:		
Investments	**(420,441)**	(26,776)
Other assets	**(2,518)**	(3,251)
Interest income	**(1,644,861)**	(1,595,408)
Share of profit of associates and joint ventures	**(4,454,818)**	(4,153,597)
Operating income before changes in operating assets and liabilities	**14,484,458**	12,399,584
Decrease (increase) in:		
Accounts and notes receivable - trade	**415,795**	146,826
Inventories	**19,537,804**	(13,568,112)
Service concession asset	**(1,700,016)**	(908,689)
Other current assets	**(5,599,273)**	2,429,005
Increase (decrease) in:		
Accounts payable and accrued expenses	**7,637,762**	22,616,658
Net pension liabilities	**(201,959)**	(246,264)
Other current liabilities	**(4,935,121)**	6,540,171
Net cash generated from operations	**29,639,450**	29,409,179
Interest received	**1,652,771**	1,569,532
Interest paid	**(3,474,060)**	(3,333,128)
Income tax paid	**(1,410,812)**	(1,129,703)
Net cash provided by operating activities	**26,407,349**	26,515,880
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of investments in bonds and other securities	**84,786**	23,453
Sale/redemptions of investments in associates and joint ventures	**922,139**	-
Disposals of:		
Property, plant and equipment	**207,419**	141,914
Investment properties	**-**	234,213
Land and improvements	**-**	1,314,802
Maturities of (additions to) short-term investments	**(390,495)**	934,184
Deductions/transfers (additions) to:		
Service concession asset	**(6,011)**	24,272
Investments in associates and joint ventures	**(7,479,450)**	(6,919,910)
Property, plant and equipment	**(5,498,208)**	(5,289,877)
Investment properties	**(5,822,561)**	(6,403,121)
Land and improvements	**(2,838,743)**	-
Accounts and notes receivable - non-trade	**(12,026,140)**	(18,746,683)
Financial assets at FVPL	**(544,259)**	(240,122)
Investment in bonds and other securities	**(803,064)**	384,363
Intangible assets	**(1,892,047)**	330,052
Dividends received from associates, joint ventures and investments in equity securities	**2,998,458**	2,610,343
Increase in other noncurrent assets	**(1,883,608)**	(1,975,816)
Net cash used in investing activities	**(34,971,784)**	(33,577,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debt	**21,076,830**	30,274,494
Payments of short-term and long-term debt	**(5,101,459)**	(16,217,413)
Dividends paid	**(4,500,519)**	(4,528,705)
Service concession obligation paid	**(279,317)**	(653,105)
Collections of subscriptions receivable	**-**	13,221
Increase (decrease) in:		
Other noncurrent liabilities	**958,611**	(5,205,166)
Non-controlling interests in consolidated subsidiaries	**221,431**	(337,986)
Net cash provided by financing activities	**12,375,577**	3,345,340
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,811,142**	(3,716,713)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**60,223,324**	82,154,542
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**64,034,466**	78,437,829

See accompanying Notes to Unaudited Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2016 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2016.*

**The audited consolidated financial reports and SEC 17A report of Ayala Corporation and Subsidiaries as of December 31, 2016 are available at the Company's website www.ayala.com.ph.*

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements include the accounts of Ayala Corporation (herein referred to as "the Company" or "Ayala") and its subsidiaries collectively referred to as "Group."

The unaudited condensed consolidated financial statements are presented in Philippine Peso (₱), and all values are rounded to the nearest thousand pesos (₱000) except when otherwise indicated.

The unaudited financial statements and other parts of this entire SEC 17Q as of March 31, 2017 include other financial and operating data with respect to Ayala's material subsidiaries (Ayala Land, Inc., Integrated Micro-Electronics, Inc., and Manila Water Company, Inc.), associate (Bank of the Philippine Islands) and joint venture (Globe Telecom, Inc.). This SEC 17Q should be read in conjunction with the financial and operating highlights of these subsidiaries, associate and joint venture as contained in their respective SEC17Q as of March 31, 2017.*

**The audited consolidated financial reports and SEC 17A reports as of December 31, 2016 of the following listed companies under the Group are available in the following websites: ALI www.ayalaland.com.ph, IMI www.global-imi.com, MWCI www.manilawater.com.ph, BPI www.bpiexpressonline.com, and Globe www.globe.com.ph*

On May 10, 2017, the Company's Audit Committee approved and authorized the release of the accompanying unaudited condensed financial statements of Ayala Corporation and Subsidiaries.

2. Significant Accounting Policies

Changes in Accounting Policies

The accounting policies and methods of computations adopted in the preparation of the unaudited condensed financial statements are consistent with those of the previous financial year, except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2017. The nature and the impact of each new standards and amendments is described below:

Standards and Interpretation Issued but not yet Effective

The Group will adopt the following new and amended Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective January 1, 2017

- Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the

volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effectivity date.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. BPI, one of the significant associates of the Group, is currently engaged in developing business models for Classification and Measurement of Financial Assets and credit models to estimate Expected Credit Losses as specified in the PFRS 9. Full impact of the PFRS 9 will be assessed once these models are developed. The Group will continue to assess the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. These amendments are not expected to have any material impact on the Group.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment

property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. These amendments are not expected to have any material impact on the Group.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. These amendments are not expected to have any material impact on the Group.

Effective January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Standards with Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Principles of Consolidation

The unaudited condensed consolidated financial statements included the financial statements of the Company and the following wholly and majority owned domestic and foreign subsidiaries:

Subsidiaries	Nature of Business	% of Economic Ownership Interest held by the Group	
		March 2017 (Unaudited)	December 2016 (Audited)
AC Energy Holdings, Inc. (ACEHI)	Power Generation	**100.0 %**	100.0 %
AC Infrastructure Holdings Corporation (AC Infra)	Transport Infrastructure	**100.0**	100.0
AC International Finance Limited (ACIFL)*	Investment Holding	**100.0**	100.0
AG Counselors Corporation (AGCC)	Consulting Services	**100.0**	100.0
AC Industrial Technology Holdings Inc. (AC Industrial) *(formerly Ayala Automotive Holdings Corporation)*	Industrial Technology and Automotive	**100.0**	100.0
Ayala Aviation Corporation (AAC)	Air Charter	**100.0**	100.0
Ayala Education, Inc. (AEI)	Education	**100.0**	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	**47.2**	47.2
AYC Finance Ltd. (AYCFL)*	Investment Holding	**100.0**	100.0
Azalea International Venture Partners, Limited (AIVPL)**	Business Process Outsourcing (BPO)	**100.0**	100.0
Ayala Healthcare Holdings, Inc. (AHHI)	Healthcare	**100.0**	100.0
Bestfull Holdings Limited (BHL)***	Investment Holding - International	**100.0**	100.0
Darong Agricultural and Development Corporation (DADC)	Agriculture	**100.0**	100.0
HCX Technology Partners Inc. (HCX)	HR Technology Services	**100.0**	100.0
Integrated Microelectronics, Inc. (IMI)	Electronics Manufacturing	**50.7**	50.7
Manila Water Company, Inc. (MWC)	Water Infrastructure	**51.6**	51.6
Michigan Holdings, Inc. (MHI)	Investment Holding	**100.0**	100.0
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	**100.0**	100.0
Purefoods International Ltd. (PFIL)**	Investment Holding	**100.0**	100.0
Technopark Land, Inc. (TLI)	Real Estate	**78.8**	78.8
Water Capital Works, Inc. (WCW)	Investment Holding	**100.0**	100.0

**Incorporated in Cayman Islands*
***Incorporated in British Virgin Islands*
****Incorporated in Hong Kong*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in subsidiaries is the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in subsidiaries are in proportion to its ownership interest.

The following are highlights of significant transactions of the subsidiaries, part of which affected the Company's investments in its subsidiaries:

ACEHI Group

a) On January 21, 2017, ACEHI signed investment agreements with UPC Renewables Indonesia Ltd. for the development, construction, and operation of a wind farm project in Sidrap, South Sulawesi, Indonesia (the Sidrap Project). The project will be developed through PT UPC Sidrap Bayu Energi (UPC Sidrap), a special purpose company based in Indonesia. The Sidrap Project, with generating capacity of 75 MW, is targeted for completion by the end of 2017, and will be the first utility-scale wind farm project in Indonesia once completed. ACEHI, through its wholly-owned subsidiary AC Energy International Holdings PTE Ltd. (ACEHI SG), deposited US$30.0 million to UPC Renewables Asia Ltd, UPC Renewables Asia III Ltd. and Sidrap HK for the UPC Sidrap amounting to US$1.82 million, USD$21.86 million and USD$6.31 million, respectively.

b) On February 20, 2017, ACEHI entered into a 10-year Term Loan Agreement with The Philippine American Life and General Insurance Company (PHILAM) amounting to ₱1.0 billion at a fixed rate equivalent to 6.0% p.a. to finance investments in power, power-related projects and general corporate needs. On February 23, 2017, the full amount of the loan was drawn.

c) On March 16, 2017, ACEHI signed definitive documents to acquire 100% ownership of Bronzeoak Clean Energy ("BCE") and San Carlos Clean Energy ("SCCE"). With the acquisition, SCCE and BCE have been renamed as AC Energy DevCo Inc. and Visayas Renewables Corp., respectively.

d) On March 31, 2017, ACEHI, as part of an Indonesian consortium, completed the purchase and acquisition of Chevron's geothermal assets and operations in Indonesia. The Indonesia consortium consists of ACEHI (with 19.8% economic stake), Star Energy Group Holdings Pte. Ltd., Star Energy Geothermal Pte. Ltd., and Electricity Generating Public Company Ltd. and the acquisition was made through their joint venture company, Star Energy Geothermal (Salak-Darajat) B.V. The Indonesia assets and operations include the Darajat and Salak geothermal fields in West Java, Indonesia, with a combined capacity of 637MW of steam and power.

e) On various dates between January to March 2017, the Company infused a total of ₱599.5 million to ACEHI to fund its various investments.

AC Infra Group

a) On March 31, 2017, AC Infra and SM Investment Corporation submitted an unsolicited proposal to the DPWH to design, finance, construct, operate and maintain for a period of 35 years an elevated toll road approximately 8.6-kilometer long that would link Sta. Mesa, Manila to the Mall of Asia Complex in Pasay City via the Central Business District. The estimated project cost is ₱25 billion.

b) On various dates between January to March 2017, the Company infused ₱50.0 million to AC Infra to fund its various investments.

ACIFL

a. In March 2017, ACIFL repurchased its 115,000,000 shares which were issued and registered in the name of the Company, ACIFL's sole shareholder. The repurchase price was at par of US$1.00 per share for a total amount of US$115.0 million. ACIFL remained a wholly-owned subsidiary of the Company after the transaction.

AHHI Group

a) On various dates between January to March 2017, the Company infused ₱142.4 million to AHHI Group to fund its various investments.

ALI Group

a) On February 20, 2017, the BOD of ALI approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share. These will be paid out on March 22, 2017 to shareholders on record as of March 6, 2017.

   Further, on the same date, the BOD of also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share share to all shareholders of ALI's unlisted voting preferred shares. These will be paid out on June 29, 2017 to sharehodlers on record as of June 15, 2017.

b) On February 20, 2017, the BOD of ALI approved the raising of up to ₱20B through (a) retail bonds, (b) corporate notes and/or (c) bilateral term loans, all with a term of up to 10 years, to partially finance general corporate requirements. The retail bonds will be issued under ALI's ₱50 Billion Debt Securities Program as approved by SEC in March 2016; and the raising of up to ₱10B through the issuance of short-dated notes with a tenor of up to 21 months to refinance ALI's short-term loans.

c) The voting rights held by the Group in ALI as of March 31, 207 and December 31, 2016 is equal to 68.7%.

IMI Group

a) On February 15, 2017, the BOD of IMI approved the proposed decrease of authorized capital stock of IMI Philippines to reflect the retirement of the redeemed ₱1.3 billion redeemable preferred shares and the corresponding amendment to the Articles of Incorporation.

b) On March 29, 2017, Ayala Corp. announced that AYC Holdings, Ltd. ("AYCH"), a wholly owned subsidiary of Ayala held through ACIFL, will transfer its 50.6% ownership in IMI to AC Industrial Technology Holdings, Inc. ("AC Industrial"), also a wholly owned subsidiary of Ayala, through a special block sale of IMI shares. The sale of shares was approved by the Philippine Stock Exchange on March 29, 2017. This transaction was granted exemptive relief from the application of the mandatory tender offer rules by the Securities and Exchange Commission on March 21, 2017 on the ground that the change in the form of Ayala's ownership of the IMI shares is by no means a takeover by a third party and will not affect the management and control of IMI.

AC Industrial currently holds Ayala's interests in automotive distributorship which include a 13 percent stake in Honda Cars Philippines, Inc. (HCPI), a 15 percent stake in Isuzu Philippines Corp. (IPC), a 100% stake in Honda Cars Makati, Inc. (HCMI), Isuzu Automotive Dealers, Inc. (IADI), Automobile Central Enterprise Inc. (ACEI), Iconic Dealership, Inc. (IDI) and Adventure Cycle Philippines Inc. (ACPI). HCMI and IADI, respectively, own and operate 11 full-service Honda dealerships and 8 full-service Isuzu dealerships nationwide. ACEI is the official Philippine importer and distributor while IDI operates dealerships of Volkswagen vehicles. AC Industrials also manufactures KTM motorcycles and, through ACPI, is the official distributor of KTM motorcycles in the Philippines.

This transaction consolidates Ayala's existing assets in manufacturing and vehicle distribution and dealership under AC Industrial, creating a platform to execute on Ayala's vision to assemble a portfolio of businesses that own, develop, enable, manufacture, and commercialize automotive and other industrial technologies across various platforms to capture opportunities in the domestic and global markets.

The transaction will have no impact to Ayala's consolidated financial statements as this is just a transfer within the Group from one wholly owned subsidiary to another.

c) On April 6, 2017, IMI has entered into an agreement with the shareholders of STI Enterprises Limited for the acquisition by IMI, through its subsidiary Integrated Micro-Electronics UK Limited, of an 80% stake in STI. The closing of the transaction is subject to completion conditions and regulatory approval.

d) As of March 31, 2017, the Company and AC Industrial, effectively owns 50.7% of IMI. The voting rights held by the Group in IMI as of March 31, 2017 and December 31, 2016 is equal to 50.7%.

MWC Group

a) In March 2012, MWC submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The rate rebasing activity is done every five (5) years. The MWSS conducted a review of the proposal including MWC's last five (5) years' financial performance. The financial review process extended up to the third quarter of 2013. On September 10, 2013, the MWSS-RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% on MWC's 2012 average basic water rate of ₱24.57 per cubic meter shall be implemented in five (5) equal tranches of negative 5.894% per charging year. MWC objected to the MWSS' Rate Rebasing determination and formally filed its Dispute Notice on September 24, 2013, before a duly-constituted Appeals Panel, commencing the arbitration process, as provided under Section 12 (in relation to Section 9.4 of the Concession Agreement).

On April 21, 2015, MWC received the final award of the Appeals Panel in the arbitration which final award included the following tariff component determination:

a. ₱28.1 billion Opening Cash Position (OCP) which restored ₱11.0 billion from the September 2013 OCP determination of MWSS of ₱17.1 billion;
b. ₱199.6 billion capital expenditures and concession fees which restores ₱29.5 billion from the September 2013 future capital and concession fee expenditure of ₱170.1 billion;
c. 7.61% ADR which was an improvement of 79 bps from the post-tax ADR of 6.82% in September 2013; and
d. Exclusion of corporate income tax from cash flows beginning January 1, 2013.

Consequently, the final award resulted in a rate rebasing adjustment for the period 2013 to 2017 of negative 11.05% on the 2012 basic average water charge of ₱25.07 per cubic meter. This adjustment translates to a decrease of ₱2.77 per cubic meter from the tariff during the intervening years before the 2018 rate rebasing. Annual CPI adjustments and the quarterly FCDA will continue to be made consistent with MWC's Concession Agreement with MWSS.

On December 10, 2015, MWC filed a Notice of Arbitration with the Permanent Court of Arbitration against the Republic of the Philippines (the "Republic"). The Notice of Arbitration was filed with respect to Notice of Claim made on the Republic on April 23, 2015 and reiterated on August 13, 2015 and October 20, 2015. The Notice of Claim was made under the Letter of Undertaking of the Republic, issued through the DOF and dated July 31, 1997, as reiterated in the DOF Letter dated October 19, 2009 (the "Sovereign Undertaking"), to guarantee the obligations of the MWSS under its Concession Agreement with MWC executed on February 21, 1997.

In the Sovereign Undertaking, the Republic, through the DOF, undertook to indemnify MWC against any loss caused by any action on the part of the Republic and/or the MWSS resulting in the reduction of the standard rates “below the level that would otherwise be applicable in accordance with the Concession Agreement”, thereby denying MWC the rate of return “allowed from time to time to operators of long term infrastructure concession agreement in other countries having a credit standing similar to the Philippines” pursuant to Section 9.4 of the Concession Agreement. As a result of certain actions by the MWSS and the Republic, which are covered by the provisions of the Sovereign Undertaking, MWC demanded indemnification from the Republic by reimbursing its losses in operating revenues to be realized for each remaining year of the Concession as such losses are realized.

The MWSS Board of Trustees approves the FCDA adjustment quarterly. The FCDA has no impact on the net income of MWC, as the same is a recovery or refund mechanism of foreign exchange losses or gains. During 2016 and 2015, the following FCDA adjustments and their related foreign exchange basis took effect.

Approval Date	FCDA Adjustment	Foreign Exchange Rate Basis
March 12, 2015	₱0.05 per cubic meter	USD1: ₱44.60 / JPY1: ₱0.38
June 4, 2015	₱0.02 per cubic meter	USD1: ₱44.41 / JPY1: ₱0.37
September 9, 2015	₱0.05 per cubic meter	USD1: ₱45.26 / JPY1: ₱0.37
December 10, 2015	₱0.15 per cubic meter	USD1: ₱46.36 / JPY1: ₱0.39
March 10, 2016	₱0.26 per cubic meter	USD1: ₱47.51 / JPY1: ₱0.40
June 14, 2016	₱0.25 per cubic meter	USD1: ₱46.29 / JPY1: ₱0.40

There were no updated FCDA for the third and fourth quarters of 2016 and the first quarter of 2017 because the MWSS BOT who should approve the MWSS RO resolution was vacant.

b) On January 15, 2016, MWPVI entered into a MOA with ALI and its subsidiaries (the ALI Group), whereby MWPVI shall exclusively provide water and used water services and facilities to all property development projects of the ALI Group.

c) On December 8, 2016, MWPVI entered into a similar MOA with each of SM Prime Holdings Inc.’s and the latter’s affiliates and subsidiaries, SM Development Corporation and SM Residences Corp. (collectively, the SM Group). Pursuant to the MOA, MWPVI will provide the water and/or used water services and facilities to the property development projects of the SM Group identified in each of the MOA. As of December 31, 2016, MWPVI has five signed MOA with the SM Group.

d) On December 9, 2016, MWC received a Notice of Award from the Calasiao Water District (CWD) for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system of the CWD in Calasiao, Pangasinan.

e) On January 4, 2017, Manila Water Philippine Ventures, Inc. (MWPVI) entered into an Asset Purchase Agreement (APA) with Asian Land Strategies Corporation in order to acquire and operate its water operations division in their developments in Bulacan. The intention of MWPVI was to assign the rights under the APA to its wholly owned subsidiary upon its incorporation.

   On April 11, 2017, the SEC issued the incorporation documents of Bulacan MWPV Development Corporation (BMDC), the primary purpose of which is to design, construct, rehabilitate, maintain, operate, finance, expand, and manage water supply system and sanitation facilities. BMDC is also the ultimate entity that will own and operate the assets acquired from Asian Land.

f) On January 5, 2017, the two (2) Arbitrators nominated by MWC and by the Republic, agreed to the appointment of the Presiding Arbitrator of the Arbitral Tribunal. On January 14, 2017, the Arbitral Tribunal was formally constituted.

g) On January 24, 2017, the consortium of MWC and MWPVI received the Notice of Award from the Obando Water District (OWD) for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and sanitation facilities of the OWD in Obando, Bulacan.

On February 2, 2017, the SEC issued the Certificate of Registration of Obando Water Consortium Holdings Corp. (Obando Water Holdings). Obando Water Holdings is the Consortium between the MWC and MWPVI with an equity share of 49% and 51%, respectively. The primary purpose of Obando Water Holdings is to engage in the business of a holding company without acting as stockbroker or dealer in securities.

h) On March 1, 2017, cash dividends of ₱0.4244 and ₱0.04244 per share of outstanding common shares and participating preferred shares, respectively, were declared and are payable on March 31, 2017 to stockholders of record as of March 15, 2017.

i) The voting rights held by the Group in MWC as of March 31, 207 and December 31, 2016 is equal to 80.4%.

AC Industrial Group

a) On various dates between January to March 2017, the Company infused ₱6.4 billion to AC Industrial Group to fund its various investments.

Material partly-owned subsidiaries

The summarized financial information of subsidiaries that have material non-controlling interest is provided below. This information is based on amounts before intercompany eliminations.

	March 2017 (Unaudited)	December 2016 (Audited)	
Ayala Land, Inc. and Subsidiaries			
(In Million Pesos)			
Current assets	**207,798**	211,012	
Non-current assets	**333,894**	325,420	
Current liabilities	**184,181**	188,203	
Non-current liabilities	**181,680**	175,546	
Equity			
Attributable to owners of the parent	**149,789**	147,705	
Attributable to non-controlling interest	**26,042**	24,978	
Revenue	**31,643**	26,972	*
Net income			
Attributable to owners of the parent	**5,564**	4,708	*
Attributable to non-controlling interest	**873**	722	*
Other comprehensive income	**26**	13	*
Manila Water Co. Inc. and Subsidiaries			
(In Million Pesos)			
Current assets	**8,488**	8,256	
Non-current assets	**79,200**	77,223	
Current liabilities	**9,286**	7,482	
Non-current liabilities	**33,476**	33,616	
Equity			
Attributable to owners of the parent	**43,899**	43,384	
Attributable to non-controlling interest	**1,027**	997	
Revenue	**4,356**	4,210	*
Net income			
Attributable to owners of the parent	**1,449**	1,481	*
Attributable to non-controlling interest	**30**	27	*
Other comprehensive income	**93**	6	*
Integrated Microelectronics, Inc. and Subsidiaries			
(In Million US$)			
Current assets	**460**	407	
Non-current assets	**238**	229	
Current liabilities	**321**	270	
Non-current liabilities	**127**	128	
Equity			
Attributable to owners of the parent	**249**	237	
Attributable to non-controlling interest	**1**	1	
Revenue	**236**	199	*
Net income			
Attributable to owners of the parent	**9**	6	*
Attributable to non-controlling interest	**-**	-	*
Other comprehensive income	**3**	3	*

***** *Based on unaudited March 31, 2016*

As of March 31, 2017 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 52.8%, 48.4% and 49.3%, respectively.

4. **Cash and Cash Equivalents** (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Cash on hand and in banks	**19,373,774**	23,721,591
Cash equivalents	**44,660,692**	36,501,733
	64,034,466	60,223,324

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term rates.

The Group maintains cash and cash equivalents with BPI amounting to ₱31.6 billion and ₱24.0 billion, as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively (see Note 21 Related Party Transaction).

5. **Short-term Investments** (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Money market placements	**1,399,200**	1,008,705

Short-term investments pertain to money market placements made for varying periods of more than three months but less than one year and earn interest at the respective short-term investment rates.

The Group maintains short-term investments with BPI amounting to ₱639.3 million and ₱405.5 million, as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively (see Note 21 Related Party Transaction).

6. **Accounts and Notes Receivable** (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Trade:		
Real estate	**87,970,608**	90,043,604
Electronics manufacturing	**10,254,727**	9,784,345
Automotive	**3,887,487**	2,791,338
Water infrastructure	**2,821,269**	2,712,944
Information technology and BPO	**196,032**	275,198
International and others	**453,336**	525,154
Advances to contractors and suppliers	**39,241,021**	27,609,966
Advances to other companies	**17,049,163**	17,041,090
Receivable from related parties (Note 21)	**2,081,381**	2,339,638
Dividend receivable	**-**	1,228,133
Receivable from officers and employees (Note 21)	**1,841,752**	1,090,801
Receivable from Bonifacio Water Corporation (BWC)	**529,501**	529,501
Others	**12,974**	58,954
	166,339,251	156,030,666
Less allowance for doubtful accounts	**2,646,009**	2,704,356
	163,693,242	153,326,310
Less noncurrent portion	**33,944,451**	36,484,347
	129,748,791	116,841,963

The aging of the above receivables are summarized in the following table (in million pesos, unaudited):

	Up to 6 months	**Over 6 mos. to one year**	**Over one year**	**Past due**	**Total**
Trade Receivables	59,542	20,248	12,245	13,548	105,583
Non-Trade Receivables	39,384	10,575	8,012	139	58,110
Total	98,926	30,823	20,257	13,687	163,693

The Group's Advances to other companies account mainly pertain to ALI's advances to third party joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. ALI Group does not intend that these advances will be repaid, but will instead be recorded as part of the project costs upon development or as part of consideration for purchases of land. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur. Certain advances are interest bearing and subject to terms as agreed between the parties. Advances to contractors and supplier account are recouped every progress billing payment date depending on the percentage of accomplishment or delivery. Others account mainly include accrued interest receivable and other non-trade accounts from non-related entities which are non-interest bearing and are due and demandable.

As of March 31, 2017, this account increased from year-end 2016 balances mainly driven by ALI group's higher contractor advances on the back of increased land sales, mid-residential and mid-income housing as well as from hotel and leasing business; higher sales of IMI and Automotive groups. Provision for Doubtful Accounts amounted to net provision of ₱7.4 million and net reversal of ₱4.3 million for the periods ended March 31, 2017 and 2016 (both unaudited) which form part of the Group's General and Administrative Expenses for the period, respectively.

7. Inventories (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Real estate inventories		
At cost	**46,213,714**	65,558,950
At NRV	**936,183**	936,183
Vehicles	**3,993,327**	4,001,188
Finished goods	**1,061,737**	1,010,200
Work-in-process	**839,087**	817,987
Parts and accessories	**991,097**	373,100
Materials, supplies and others	**4,791,449**	4,389,714
	58,826,594	77,087,322
Less: Allowance for inventory obsolescence and decline in value*	340,409	334,447
	58,486,185	76,752,875

**Excluding allowance for real estate inventories*

Decrease in Real estate inventories by ₱19.3 billion pertains to ALI group's higher cost of sales and transfers to investment properties

The Group's provision for inventory obsolescence amounted to positive ₱7.6 million and negative ₱81.1 million (net reversal mainly coming from IMI group) for the period ended March 31, 2017 and 2016 (both unaudited), respectively. These form part of the consolidated General and Administrative Expenses.

8. **Other Current Assets and Pension and Other Noncurrent Assets** (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Input VAT	**16,875,914**	11,822,618
Prepaid expenses	**11,096,643**	11,798,740
Financial assets at FVPL	**7,379,295**	6,664,015
Creditable withholding tax	**3,229,645**	2,234,594
Derivative assets	**176,013**	245,887
Concession financial receivable	**219,710**	200,253
Deposits in escrow	**168,007**	104,163
Others	**738,094**	568,213
Other current assets	**39,883,321**	33,638,483
Other noncurrent assets	**21,882,887**	21,045,520
Investments in bonds and other securities	**5,284,565**	4,565,079
Pension asset	**159,553**	236,879
Pension and other noncurrent assets	**27,327,005**	25,847,478

Other noncurrent assets also includes noncurrent deposits (escrow and security deposits on land leases, electric and water meter deposits), deferred charges (mainly consist of prepayments for expenses that is amortized for more than one year), leasehold rights (right to use an island property which expires on December 31, 2029) and deferred Foreign Currency Differential Adjustment [or FCDA which refers to the net unrecovered amounts from (amounts for refund to) customers of MWC Group for realized losses (gains) from payments of foreign loans based on the difference between the drawdown or rebased rate versus the closing rate at payment date].

Other noncurrent assets also include advances to joint venture (JV) partners that have been made in consideration of project costs and purchases of land that are still subject to completion, which upon completion, will subsequently form part of the project costs or purchased land. The significant increase in the other non-current assets pertains to ALI's leasehold rights from new investment properties and additional investment in bonds and securities; MWC's higher balance of FCDA due to forex movements; IMI's capitalized project development costs; and ACEHI's goodwill on new acquisitions offset by conversion of deposits into investment in another project

9. Land and Improvements

This account consists of properties for future development and improvement eventually for transfer to real estate inventories for sale. This account increased from ₱101,049 million as of December 31, 2016 (audited) to ₱103,888 million as of March 31, 2017 (unaudited) arising from ALI's additions for the year.

10. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of ownership as of March 31, 2017 are as follows:

	Economic Percentage of Ownership		Carrying Amounts (in million pesos)	
	March 2017 (Unaudited)	December 2016 (Audited)	**March 2017 (Unaudited)**	December 2016 (Audited)
Domestic:				
Bank of the Philippine Islands (BPI)	**32.5**	32.5	**₱ 74,671**	₱ 72,532
Liontide Holdings Inc. (LHI)*	**73.8**	73.8	**39,894**	39,418
Globe Telecom, Inc. (Globe)*	**31.0**	31.0	**20,440**	20,143
GNPower Mariveles Coal Plant Ltd. Co (GNPower)	**17.1**	17.1	**8,878**	8,790
OCLP Holdings, Inc. (OHI)	**21.0**	21.0	**7,511**	7,321
Emerging City Holdings, Inc. (ECHI)*	**50.0**	50.0	**4,053**	4,159
South Luzon Thermal Energy Corp. (SLTEC)*	**35.0**	35.0	**2,607**	2,785
Berkshire Holdings, Inc. (BHI)*	**50.0**	50.0	**1,969**	1,834
Light Rail Manila Holdings, Inc. (LRMHI)	**50.0**	50.0	**1,691**	1,647
Cebu District Property Enterprise, Inc. (CDPEI)*	**42.0**	42.0	**1,489**	1,487
Bonifacio Land Corporation (BLC)	**10.0**	10.0	**1,409**	1,370
Asiacom Philippines, Inc. (Asiacom)*	**60.0**	60.0	**1,254**	1,253
GNPower Dinginin Ltd. Co. (GNP Dinginin)	**50.0**	50.0	**1,083**	1,158
Philippine Wind Holdings Corporation (PWHC)*	**42.9**	42.9	**984**	993
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49.0**	49.0	**632**	624
Alveo Federal Land Community*	**50.0**	50.0	**612**	605
Generika Group *	**50.0**	50.0	**425**	443
Foreign:				
ACEHI Netherlands B.V. (incorporated in Netherlands)	**19.8**	-	**8,452**	-
Modular Construction Technology Bhd. (MCT) (incorporated in Malaysia)	**33.0**	33.0	**6,500**	6,400
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	**49.0**	49.0	**2,742**	2,586
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	**47.4**	47.4	**2,471**	2,417
UPC Renewables Asia III Ltd (incorporated in Hong Kong)	**51.0**	-	**1,188**	-
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	**31.5**	31.5	**857**	852
VinaPhil Technical Infrastructure Investment Joint Stock Company (VinaPhil) (incorporated in Vietnam)*	**-**	49.0	**-**	502
Cu Chi Water	**24.5**	24.5	**348**	344
Tianjin Eco-City Ayala Land Development Co., Ltd. (incorporated in China)	**40.0**	40.0	**395**	342
Others	**Various**	Various	**412**	309
			₱ 192,967	₱ 180,314

** Joint ventures*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in associates and joint ventures is in the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in associates and joint ventures are in proportion to its ownership interest.

The following are highlights of significant transactions of the associate and joint venture, part of which affected the Company's investments in its associate and joint venture:

BPI's Consolidated Statements of Condition (in million pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Total Resources	**1,733,946**	1,725,696
Total Liabilities	**1,559,464**	1,558,012
Capital Funds Attributable to the Equity Holders of BPI	**171,850**	165,134
Capital Funds Attributable to the Noncontrolling Interest	**2,632**	2,550
Total Liabilities and Capital Funds	**1,733,946**	1,725,696

BPI's Consolidated Statements of Income (in million pesos except EPS Figures):

	March 2017 (Unaudited)	March 2016 (Unaudited)
Interest income	**15,788**	13,856
Other Income	**6,464**	5,271
Total revenues	**22,252**	19,127
Operating expenses	**8,726**	7,847
Interest expense	**4,295**	3,858
Impairment losses	**1,209**	1,181
Provision for income tax	**1,694**	1,204
Total Expenses	**15,924**	14,090
Net income for the period	**6,328**	5,037
Attributable to:		
Equity holders of BPI	**6,253**	4,978
Noncontrolling interest	**75**	59
	6,328	5,037
EPS	**1.59**	1.26

BPI

a) BPI spun-off its BPI Asset Management and Trust Group (BPI AMTG) to a newly-established Stand-Alone Trust Corporation (SATC) named BPI Asset Management and Trust Corp. (BPI AMTC). BPI AMTC officially commenced its operations on February 1, 2017.

b) On January 20, 2017, total cash dividends paid to Common Stockholders of record as December 29, 2016 amounted to ₽3.5 billion.

c) The effective voting rights held by the Group in BPI as of March 31, 2017 and December 31, 2016 is equal to 49.7%.

d) The Company's share in the net identifiable assets of BPI as of March 31, 2017 (unaudited) amounted to ₽56,737 million. No dividends received from BPI for the period ended March 31, 2017 (unaudited). The fair market value of the Company's investment in BPI as of March 31, 2017 (unaudited) amounted to ₽129,634 million.

Globe's Consolidated Statements of Financial Position (in million pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Current Assets	**53,518**	53,023
Noncurrent Assets	**199,165**	196,840
Total Assets	**252,683**	249,863
Current Liabilities	**83,874**	82,402
Noncurrent Liabilities	**104,548**	103,985
Equity Attributable to Equity Holders of the Parent	**64,247**	63,440
Equity Attributable to Noncontrolling Interest	**14**	36
Total Liabilities and Equity	**252,683**	249,863

Globe's Consolidated Statements of Income (in million pesos except EPS Figures):

	March 2017 (Unaudited)	March 2016 (Unaudited)
Net Operating Revenues	**32,926**	31,684
Other Income	**223**	419
Total Revenues	**33,149**	32,103
Costs and Expenses	**27,590**	25,828
Provision for Income Tax	**1,798**	1,940
Total Expenses	**29,388**	27,768
Net Income	**3,761**	4,335
Total net income attributable to:		
Equity holders of the Parent	**3,771**	4,340
Noncontrolling interest	**(10)**	(5)
Net Income	**3,761**	4,335
EPS:		
Basic	**27.33**	31.60
Diluted	**27.32**	31.59

Globe

a) On May 30, 2016, the BOD of Globe, through its Executive Committee, approved the signing of a Sale and Purchase Agreement (SPA) and other related definitive agreements for the acquisition of 50% equity interest in Vega Telecom, Inc. (VTI), Bow Arken Holdings Company, Inc. (BAHCI) and Brightside Holdings Corporation (BHC) (collectively the Vega Group). The remaining 50% equity stake in the Vega Group was acquired by Philippine Long Distance Telephone Company (PLDT) under similar definitive agreements.

   The total consideration for the transaction amounted to ₱52.8 billion for the purchase of the equity interest and advances of the Vega Group, which translated to ₱26.4 billion for Globe's 50% ownership interest. The Sale and Purchase Agreements also provided for the assumption of total liabilities of ₱17.2 billion by Globe and PLDT from May 30, 2016 and a price adjustment mechanism based on the variance in the amount of assumed liabilities from April 30, 2016 to be agreed upon by Globe, PLDT and the previous owners of the Vega Group at the end of the confirmatory due diligence period. As of December 31, 2016, the negotiated amount of ₱10.8 billion was finalized with the network suppliers where Globe's share amounted to ₱5.4 billion.

   The fair values of the identifiable assets and liabilities of the Vega Group as of the date of acquisition have been determined provisionally. The fair values of the intangible assets and goodwill amounted to ₱38.8 billion and ₱18.0 billion, respectively. The intangible assets identified include the spectrum/frequency amounting to ₱37.8 billion. The provisional fair values of the intangible assets were determined by an independent appraiser using acceptable valuation techniques for the industry.

The acquisition provided Globe with access to certain frequencies assigned to the Vega Group through a co-use arrangement approved by the National Telecommunication Commission.

At the date of finalization of these interim condensed consolidated financial statements, the necessary market valuations and the reconciliation of the cost to the proportional share in net assets had not been finalized.*

**Details on these transactions have been extensively discussed in the disclosures filed with the SEC and PSE and maybe accessed from the PSE and Globe Telecom websites.*

b) On February 7, 2017, Globe's BOD approved the declaration of first quarterly distributions of cash dividends of ₱22.75 per common share paid last 8 March 2017. The first quarter dividend payment total was about ₱3.0 billion.

c) On February 17, 2017, Globe's BOD approved the signing of an Investment Agreement among Alipay Singapore Holdings PTE. LTD. (Alipay), Ayala, Globe, Globe Capital Venture Holdings Inc. (GCVHI) and Globe Fintech Innovations, Inc. (GFI), wherein GFI will issue to both Alipay and Ayala its currently unissued common shares upon its consummation not later than December 31, 2017, on which date all parties are given the right to terminate *(see item no. 2 of Part II-Other Information of this report)*. The consummation of the Investment Agreement is subject to the fulfillment of certain conditions including the approval of relevant governmental authority such as the Philippine Competition Commission (PCC). Upon PCC's approval and fulfillment of other conditions, the Investment Agreement is deemed consummated and will make Alipay, GCVHI, and Ayala legal holders of 45.0%, 45.0%, and 10.0%, respectively, of the issued and outstanding share capital of GFI on a fully-diluted basis. The approval of PCC remains pending as of March 31, 2017.

d) The effective voting rights held by the Group in Globe as of March 31, 2017 and December 31, 2016 is equal to 46.8%.

e) The Company's share in the net identifiable assets of Globe as of March 31, 2017 (unaudited) amounted to ₱19,922 million. Dividends received from Globe for the period ended March 31, 2017 (unaudited) amounted to ₱936 million. The fair value of the Company's investment in Globe as of March 31, 2017 (unaudited) amounted to ₱83,632 million.

LHI

a) On January 2017, SEC approved the reclassification of 48,574,200 of LHI's Common B shares into redeemable preferred shares (RPS). In March 2017, Arran Investment Pte Ltd, the holder of these RPS, issued a notice to LHI for a redemption in-kind involving 10,913,830 RPS shares for 45,627,477 shares of BPI held by LHI. The redemption in-kind has a total consideration of US$90.9 million (₱4.6B) worth of BPI shares. The cross at the Philippine Stock Exchange was executed on May 5, 2017.

   Ayala Group's effective ownership in BPI remains after this transaction but its ownership in LHI increased from 73.8% to 78.1% while LHI's investment in BPI shares declined from 21.3% to 20.1%.

b) As of March 31, 2017, the Company's direct ownership in LHI is equal to 73.8%, while LHI's direct ownership in BPI is equal to 21.3%. The fair value of BPI shares held by LHI amounted to ₱84,768 million as of March 31, 2017 (unaudited). The Company and Arran Investment Pte. Ltd. (GICSI), an entity managed and controlled by GIC Special Investments Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

11. Intangible Assets and Deferred Tax Assets (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Intangible assets	**11,634,520**	9,716,403
Deferred tax assets - net	**11,979,625**	12,414,647

Increase in Intangible assets was due to ACEHI's new investment acquisitions and IMI's capitalized project development costs. However, decrease in Deferred tax assets pertains to MWCI's lower DTA balance.

12. Investment Properties

This comprises completed and under construction properties or re-development that are held to earn rentals, and are not occupied by the companies in the Group. These properties include parcels of land, buildings and other real estate properties. The account includes Investment in Land, ₱15,055 million and ₱15,874 million as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively; Investment in Building, ₱67,301 million and ₱62,229 million as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively; and Construction-in-Progress, ₱32,814 million as of March 31, 2017 (unaudited) and December 31, 2016 (audited), net of accumulated depreciation and amortization and impairment loss.

13. Service Concession Assets

The Parent Company has a concession agreement with the DPWH while the MWC Group has concession agreements with Metropolitan Waterworks and Sewerage System (MWSS), Provincial Government of Laguna (PGL), Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and Clark Development Corporation (CDC). These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period.

14. Accounts Payable and Accrued Expenses (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Accounts payable	**104,668,813**	90,791,680
Accrued expenses		
Project costs	**17,666,000**	16,721,212
Personnel costs	**6,198,547**	8,056,866
Rental and utilities	**3,510,367**	3,423,595
Professional and management fees	**3,590,998**	3,395,027
Repairs and maintenance	**1,591,895**	2,122,203
Advertising and promotions	**2,063,605**	1,581,847
Various operating expenses	**1,483,000**	1,319,177
Taxes payable	**15,832,400**	16,841,094
Liability for purchased land	**4,860,000**	6,257,097
Retentions payable	**1,647,728**	4,306,272
Dividends payable	**1,544,054**	3,503,405
Related parties (Note 21)	**2,534,852**	3,441,971
Interest payable	**2,770,280**	2,615,731
DRP Obligation	**267,000**	223,401
	170,229,539	164,600,578

Accounts payable and accrued expenses are non-interest bearing and are normally settled on 15- to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

Accrued expenses consist mainly of expenses already incurred but not yet billed for project costs, personnel, rental and utilities, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, sub-contractual costs, security, insurance, and representation.

Project costs represent accrual for direct costs associated with the commercial, residential and industrial project development and construction like engineering, design works, contract cost of labor and direct materials.

Incurred expenses which are not classified in the specific accrued expense accounts and which are individually immaterial are booked under various operating expenses.

Taxes payable consists of net output VAT, withholding taxes, business taxes, and other statutory payables, which are payable within one year.

Increase in Accounts payable and accrued expenses account was due to higher trade payables and accruals of ALI group for its new and existing projects (including higher construction payables); IMI and Automotive groups higher sales; offset by AC's settlement of dividends payable. ALI group's payables are offset against or diminished by the amounts in Advances to Contractors and Suppliers (see Note 6) once the projects are completed based on percentage of completion and other milestones.

Increase in related party accounts was due to higher payables of Automotive group on vehicle purchases and increments in ALI group's advances from contractors (see Note 21 Related Party Transaction).

15. Other Current and Noncurrent Liabilities (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Other current liabilities	**12,587,862**	17,522,984
Other noncurrent liabilities	**42,539,535**	40,870,522

Other current liabilities include the following:

a. Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion. These also include security deposits equivalent to one (1) to three (3) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

b. Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.

Other noncurrent liabilities include the following:

a. Deposits and deferred credits
Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to one (1) to three (3) months' rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertains to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by ALI Group for the processing of title are charged to this account.

b. Contractors payable are estimates for additional project cost to be incurred for project development.

c. Retentions payable pertains to amount withheld by the Group from the contractors' progress billings which will be later released after the guarantee period, usually one year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.

d. Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

e. DRP obligation pertains to the liability arising from the assignment agreement between NTDCC and MRT Development Corporation (MRTDC) of the latter's development rights. In consideration of the lease, NTDCC will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the NTDCC's commercial center business.

f. Provisions relate to pending unresolved claims and assessments. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these claims and assessments.

g. Subscription payable mainly pertains to POPI's investment in Cyber Bay.

h. Other nontrade payables which are not classified elsewhere in the financial statements.

Decrease in other current liabilities was primarily due to ALI group's lower advances and deposits on projects. The higher balance in other noncurrent liabilities was significantly due to ALI group's increase on security deposits.

16. **Short-term and Long-term Debt** (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Short-term debt:		
Philippine peso with various interest rates	**26,201,100**	28,137,450
Foreign currency with various interest rates	**4,364,417**	2,720,687
	30,565,517	30,858,137
Long-term debt:		
The Parent Company:		
Bank loans with various interest rates	**10,837,770**	10,835,726
Bonds	**49,683,314**	39,780,649
	60,521,084	50,616,375
Subsidiaries:		
Loans from banks & other institutions:		
Foreign currency with various interest rates	**51,128,622**	47,693,785
Philippine Peso with various interest rates	**58,541,421**	54,689,899
Bonds, due 2019 to 2033	**75,929,517**	75,419,046
Exchangeable bonds	**14,398,762**	14,198,775
Fixed Rate Corporate Notes (FXCNs)	**22,403,211**	22,377,934
	222,401,533	214,379,439
	282,922,617	264,995,814
Less current portion	**19,599,723**	19,792,669
Non-current portion	**263,322,894**	245,203,145

As of March 31, 2017 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱21.1 billion which consists mainly of proceeds from bonds and loans of AC parent (₱10.0 billion), ALI (₱5.5 billion), ACEHI (₱2.2 billion), IMI (₱2.0 billion), AC Industrial (₱0.9 billion), and MWC (₱0.4 billion) while payments of short-term and long-term debt amounted to ₱5.1 billion which pertains to loan payment of ALI (₱3.8 billion), IMI (₱0.7 billion), and MWC (₱0.5B).

The Group has short-term and long-term debt payable to BPI amounting to ₱26.6 billion and ₱33.4 billion as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively (see Note 21 Related Party Transaction). Interest expense incurred from these debts for the period ending

March 31, 2017 and 2016 (both unaudited) amounted to ₱75.5 million and ₱58.7 million, respectively (see Note 21 Related Party Transaction).

The loan agreements on long-term debt of the Company and certain subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of March 31, 2017 and December 31, 2016. The Company aims to maintain for its debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYC Finance. The highlights of loan covenants of the major subsidiaries and associates/ joint ventures are discussed in the respective SEC17Q reports as of March 31, 2017 of ALI, IMI, MWC, BPI and Globe.

The following summarizes the Company's parent level outstanding bonds payable.

				Carrying Value (In thousands)		
Year Issued	**Term**	**Interest rate**	**Principal Amount** (In thousands)	**March 2017 (Unaudited)**	Dec 2016 (Audited)	**Features**
2010	7 years	7.20%	10,000,000	**10,000,000**	9,994,372	Puttable on the 20th coupon payment date
2011	10 years	6.80%	10,000,000	**9,951,532**	9,948,974	20% balance puttable on the 5th anniversary of the issue date; balance puttable on the 8th anniversary issue date
2012	15 years	6.875%	10,000,000	**9,934,947**	9,933,361	Callable from the 10th anniversary issue until every year thereafter until the 14th anniversary issue date
2016	7 years	3.92%	10,000,000	**9,906,356**	9,903,942	Callable from the 5.5th anniversary of the issue date
2017	8 years	4.82%	10,000000	**9,890,480**	-	Callable from the 6.5th anniversary of the issue date
			50,000,000	**49,683,315**	39,780,649	

On July 7, 2016, Ayala Corporation issued P10.0 billion 3.920% fixed-rate bonds due 2023. The issuance is the first tranche of the Company's P20.0 billion fixed rate bonds program approved on June 24, 2016 in a shelf registration with SEC. The bond was rated PRS Aaa by the PhilRatings and was listed in the Philippine Dealing Exchange (PDEx). Proceeds of the issuance will be used to refinance Ayala's debt obligations. The infusion of new debt capital gives the Company flexibility to undertake investments that is consistent with its 2020 targets (see Other Information).

On February 10, 2017, the Company issued the second and final tranche of its ₱20.0 billion fixed rate bonds program under its 3-year shelf registration with the SEC. The bonds, amounting to ₱10.0 billion, was issued with a coupon rate of 4.82% for eight years to mature on 2025 and was rated the highest rating of PRS Aaa by the Philratings. Proceeds of the issuance will be used to pay the maturing bonds on April 2017.

On April 30, 2017, the Company fully redeemed its P10B, 7.20% Fixed Rate Puttable Bonds issued last April 30, 2010.

On May 2, 2014, AYCFL issued at face US$300.0 million Exchangeable Bonds (the Bonds) due on May 2, 2019 with a fixed coupon rate of 0.50% per annum, payable semi-annually. The Bonds are guaranteed by the Company and constitute direct, unsubordinated, unconditional and unsecured obligations of AYCFL, ranking pari passu and without any preference or priority among themselves. The Bonds were listed in the Singapore Stock Exchange and include features such as exchange option, put option and early redemption options.

The exchange option entitles the bondholders to exchange the Bonds for ALI's common shares at any time on or after June 11, 2014 up to the close of business on the 10th day prior to maturity date, or if such bonds shall have been called for redemption by AYCFL before the maturity date, then up to the close of business on a date no later than 10 days prior to the date fixed for redemption. The exchange price per principal amount to be exchanged, translated into ₱ at the fixed exchange rate of ₱44.31/US$1.00, is equal to ₱36.48, subject to anti-dilutive adjustments contingent on certain events. The exchange option was assessed to be an equity component of the Bonds at the consolidated financial statements as the Bonds are denominated in the functional currency of AYCFL and to be settled by the Group through issuance of a fixed number of ALI's common shares.

The put option entitles the bondholders to require AYCFL to redeem, in whole or in part, the Bonds on May 2, 2017 (put option date) at 100% of the principal amount together with accrued and unpaid interest. Moreover, if a change of control event occurs (the change of control put) or in the event that the common shares of ALI are delisted or suspended from trading for a period of more than 20 consecutive trading days (the delisting put), the bondholders may require AYCFL to redeem the Bonds, in whole but not in part, at 100% of the principal amount together with accrued and unpaid interest.

The early redemption option gives the right to AYCFL to redeem the Bonds, in whole but not in part, at any time after May 2, 2017 at 100% of the principal amount on the date fixed for such redemption, provided, however, that no such redemption may be made unless the closing price of the common shares of ALI (translated into US$ at the prevailing average ₱ to US$ exchange rate as published by BSP) for any 30 consecutive trading days was at least 130% of the exchange price then in effect (translated into US$ at the fixed exchange rate of ₱44.31/US$1.00). In addition, if at any time the aggregate principal amount of the Bonds outstanding is less than 10% of the aggregate principal amount originally issued or if a tax event occurs, AYCFL may redeem the Bonds, in whole but not in part, at 100% of principal amount together with accrued and unpaid interest.

The put and early redemption options were assessed to be embedded derivatives that are clearly and closely related to the host contract, therefore, not required to be bifurcated. As the Bonds were determined to be a compound instrument at the consolidated level, (i.e., it has liability component and an equity component which pertains to the exchange option), the Group applied split accounting. The value allocated to the equity component at issue date amounted ₱1.114 billion, being the residual amount after deducting the fair value of the liability component amounting to ₱11.98 billion from the issue proceeds of the Bonds.

As of March 31, 2017 (unaudited) and December 31, 2016 (audited), the unamortized discount of the Bonds amounted to ₱649.2 million and ₱717.2 million, respectively. Interest expense recognized in the statement of income amounted to ₱93.3 million and ₱85.8 million for the period ended March 31, 2017 and 2016, respectively (both unaudited).

17. Equity

Details of the Company's paid-up capital (in thousand pesos):

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
At January 1, 2017 (Audited)	**1,200,000**	**5,800,000**	**200,000**	**30,812,863**	**198,367**	**36,928,326**	**(759,796)**	**74,379,760**
Exercise/cancellation of ESOP/ESOWN	**-**	**-**	**-**		**25,078**	**542,745**	**(368,902)**	**198,921**
At March 31, 2017 (Unaudited)	**1,200,000**	**5,800,000**	**200,000**	**30,812,863**	**223,445**	**37,471,071**	**(1,128,698)**	**74,578,681**
At January 1, 2016 (Audited)	1,200,000	5,800,000	200,000	30,808,747	171,810	36,316,709	(577,944)	73,919,322
Exercise/cancellation of ESOP/ESOWN	-	-	-	4,116	26,557	611,617	(321,196)	321,094
Collection of subscription receivables	-	-	-	-	-	-	139,344	139,344
At December 31, 2016 (Audited)	1,200,000	5,800,000	200,000	30,812,863	198,367	36,928,326	(759,796)	74,379,760

The Group's reconciliation of Retained Earnings available for dividend declaration shows the following as of March 31, 2017 and December 31, 2016 (in thousand pesos):

	March 2017 (Unaudited)	December 2016 (Audited)
Consolidated retained earnings balance	**152,553,576**	145,622,311
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	**(117,547,928)**	(112,620,058)
Deferred tax	**(185,575)**	(184,218)
Treasury shares balance	**(2,300,000)**	(2,300,000)
Retained Earnings available for dividends	**32,520,073**	30,518,035

There was no dividends declared by the Company as of March 31, 2017 while table below shows the details on the dividends declared as of December 31, 2016:

(in thousand pesos except dividends per share)	December 2016 (Audited)
Dividends to common shares:	
Cash dividends declared during the year	3,572,400
Cash dividends per share	5.76
Dividends to equity preferred shares declared during the year	
Cash dividends to Preferred B shares	1,277,625
Cash dividends to Voting Preferred shares	7,390

On April 21, 2017, the Board of Directors approved the Company's 2017 stock option program pursuant to its Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to 42 executives, in accordance with the terms of the Plan, stock options covering up to a total of 818,083 common shares at a subscription price of ₱837.53 per share, which is the volume-weighted average prices of its common shares at the Philippine Stock Exchange over the last 30-day trading from March 3 to April 17, 2017.

18. Earnings Per Share

The following table presents information necessary to calculate EPS:

	March 2017 (Unaudited)	March 2016 (Unaudited)
(In Thousand Pesos)		
Net Income	**6,931,265**	5,780,048
Less: Dividends on Preferred Shares	**(319,406)**	(319,406)
	6,611,859	5,460,642
Less: Dilutive effect of Options issued by subsidiaries, associates and joint ventures	**(69,447)**	(60,486)
	6,542,412	5,400,156
(In Thousand Shares)		
Weighted average number of common shares	**620,601**	619,745
Dilutive shares arising from stock options	**2,406**	2,676
Adjusted weighted average number of common shares for diluted EPS	**623,007**	622,421
(In Pesos)		
Basic EPS	**10.65**	8.81
Dilutive EPS	**10.50**	8.68

19. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

For management purposes, the Group is organized into the following business units:

- Parent Company - represents operations of the Parent Company including its financing entities such as ACIFL, AYCFL, PFIL and MHI.

- Real estate and hotels - planning and development of large-scale fully integrated mixed-used communities that become thriving economic centers in their respective regions. This include development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of high-end, upper middle-income and affordable and economic housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.

- Financial services and insurance - commercial banking operations with expanded banking license. These include diverse services such as deposit taking and cash management (savings and time deposits in local and foreign currencies, payment services, card products, fund transfers, international trade settlement and remittances from overseas workers); lending (corporate, consumer, mortgage, leasing and agri-business loans); asset management (portfolio management, unit funds, trust administration and estate planning); securities brokerage (on-line stock trading); foreign exchange and capital markets investments (securities dealing); corporate services (corporate finance, consulting services); investment banking (trust and investment services); a fully integrated bancassurance operations (life, non-life, pre-need and reinsurance services); and other services (internet banking, foreign exchange and safety deposit facilities).

- Telecommunications (Telecoms) - provider of digital wireless communications services using a fully digital network; domestic and international long distance communication services or carrier services; broadband internet and wireline voice and data communication services; also licensed to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. In recent years, operations include developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes.

- Water infrastructure - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery, sewerage and sanitation, distribution services, pipeworks, used water management and management services. In 2016, a new business initiative was undertaken where the group will exclusively provide water and used water services and facilities to all property development projects of major real estate companies.

- Power generation - unit that will build a portfolio of power generation assets using renewable and conventional technologies which in turn will operate business of generating, transmission of electricity, distribution of electricity and supply of electricity, including the provision of related services. This unit has recently secured its Retail Electricity Supplier license, allowing it to become active participant in the retail electricity.

- Industrial Technologies - this segment houses its existing and future assets in industrial technology. It plans to capitalize on automotive and industrial opportunities by entering new businesses, fostering synergies within the Group, and building on the strengths of its existing business units – IMI and AC Industrial/Automotive. The combined abilities of the manufacturing and distribution units will allow this segment to scale its presence in the automotive value chain while also offering more comprehensive partnership opportunities for global brands.

a. Electronics manufacturing - global provider of automotive and industrial electronics manufacturing services (EMS) and power semiconductor assembly and test services with manufacturing facilities in Asia, Europe, and North America. It serves diversified markets that include those in the automotive, industrial, medical, telecommunications infrastructure, storage device, and consumer electronics industries. Committed to cost-effective and innovative customized solutions (from design and product development to manufacturing and order fulfillment), the company's comprehensive capabilities and global manufacturing presence allow it to take on specific outsourcing needs.

b. Automotive - Through this unit, the Group engages in the automotive space with the following: minority investments in assembly companies Honda Cars Philippines, Inc. and Isuzu Philippines Corporation; ownership in network of Honda and Isuzu dealerships; ownership over Philippine distributorship for Volkswagen (VW) vehicles and its network of VW dealerships; and strategic partnership with KTM Europe for a motorcycle manufacturing (for local and export demand); and appointment, thus, ownership of the exclusive distributorship of KTM motorcycle models in the country.

- Transport Infrastructure, Social Infrastructure (Health & Education) and Others - This segment includes the transport infrastructure unit (development arm for its transport infrastructure investments) and investments in social infrastructure space with the healthcare, education and human capital units established in recent years. This segment also includes the remaining Information Technology and BPO services unit; International unit (investments in overseas property companies and projects); Aviation (air-chartered services); consultancy, agri-business and other operating companies.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

The following tables regarding operating segments present revenue and income information for the periods ended March 31, 2017 and 2016 (both unaudited) and assets and liabilities as of March 31, 2017 (unaudited) and December 31, 2016 (audited).

March 2017 (Unaudited)
(in million pesos)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Industrial Technologies	Power Generation	Others	Intersegment Eliminations	Consolidated
INCOME										
Sales to external customers	62	29,710	-	-	3,960	19,202	447	712	-	54,093
Intersegment	61	(28)	-	-	71	113	-	27	(244)	-
Share of profit of associates and joint ventures	-	138	3,015	1,170	87	23	(8)	29	-	4,454
Interest income	96	1,459	-	-	65	4	10	7	4	1,645
Other income	(35)	367	-	-	1,750	252	306	387	8	3,035
Total income	184	31,646	3,015	1,170	5,933	19,594	755	1,162	(232)	63,227
Operating Expenses	714	21,037	-	-	2,459	18,772	439	888	(180)	44,129
Operating profit (loss)	(530)	10,609	3,015	1,170	3,474	822	316	274	(52)	19,098
Interest expense and other financing charges and Other charges	970	2,093	-	-	1,781	96	44	5	-	4,989
Provision for (benefit from) income tax	10	2,076	-	-	368	153	(71)	7	(2)	2,541
Net income (loss)	(1,510)	6,440	3,015	1,170	1,325	573	343	262	(50)	11,568
OTHER INFORMATION										
Segment Assets	57,450	508,468	-	-	96,485	46,800	41,962	14,721	(29,060)	736,826
Investments in associates and joint ventures	133,621	25,386	-	-	6,418	454	23,525	3,563	-	192,967
Deferred tax assets	282	9,940	-	-	1,089	149	68	57	395	11,980
Total Assets	191,353	543,794	-	-	103,992	47,403	65,555	18,341	(28,665)	941,773
Segment liabilities	107,582	361,753	-	-	42,327	31,504	34,634	1,679	(27,383)	552,096
Deferred tax liabilities	97	4,108	-	-	4,101	63	177	93	-	8,639
Total Liabilities	107,679	365,861	-	-	46,428	31,567	34,811	1,772	(27,383)	560,735
Segment additions to property, plant and equipment and investment properties	24	5,760	-	-	225	729	3,373	46	1,164	11,321
Depreciation & amortization	83	1,560	-	-	967	520	63	64	2	3,259
Non-cash expenses other than depreciation & amortization	-	12	-	-	(5)	8	-	-	-	15
Cash flows provided by (used in):										
Operating activities	(2,510)	14,023	-	-	2,034	689	366	(59)	11,864	26,407
Investing activities	2,099	(13,920)	-	-	(423)	(1,571)	(7,112)	(58)	(13,987)	(34,972)
Financing activities	7,824	(261)	-	-	(1,733)	2,155	2,221	47	2,123	12,376

March 2016 (Unaudited)
(in million pesos)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Income										
Sales to external customers	40	25,603	-	-	3,891	9,444	8	6,292	-	45,278
Intersegment	41	25	-	-	31	-	-	58	(155)	-
Share of profit (loss) of associates and joint ventures	-	(46)	2,401	1,327	88	-	321	63	-	4,154
Interest income	187	1,315	-	-	69	4	4	17	-	1,596
Other income (loss)	(9)	136	-	-	1,270	(33)	(25)	432	-	1,771
Total income	259	27,033	2,401	1,327	5,349	9,415	308	6,862	(155)	52,799
Operating Expenses	609	18,055	-	-	2,299	9,009	184	6,567	(184)	36,539
Operating profit (loss)	(350)	8,978	2,401	1,327	3,050	406	124	295	29	16,260
Interest expense and other financing charges	1,091	1,687	-	-	383	35	5	35	-	3,236
Other charges	-	-	-	-	964	-	1	146	-	1,111
Provision for (benefit from) income tax	(48)	1,824	-	-	354	61	(91)	58	-	2,158
Net income (loss)	(1,393)	5,467	2,401	1,327	1,349	310	209	56	29	9,755

December 2016 (Audited)
(in million pesos)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Assets and Liabilities										
Segment Assets	49,110	501,579	-	-	95,040	31,540	43,067	26,245	(27,605)	718,976
Investments in associates and joint ventures	130,954	24,985	-	-	6,200	-	13,743	4,432	-	180,314
Deferred tax assets	280	9,869	-	-	1,656	77	1	137	395	12,415
Total Assets	180,344	536,433	-	-	102,896	31,617	56,811	30,814	(27,210)	911,705
Segment liabilities	101,980	359,393	-	-	40,993	19,727	27,903	8,772	(27,603)	531,165
Deferred tax liabilities	97	4,357	-	-	4,728	63	203	96	-	9,544
Total Liabilities	102,077	363,750	-	-	45,721	19,790	28,106	8,868	(27,603)	540,709
Segment additions to property, plant and equipment and investment properties	105	33,649	-	-	944	2,404	21,703	734	(6,746)	52,793
Depreciation & amortization	333	5,873	-	-	3,734	1,158	86	371	5	11,560
Non-cash expenses other than depreciation & amortization	388	434	-	-	46	(121)	488	971	-	2,206
Cash flows provided by (used in):										
Operating activities	(5,244)	12,807	-	-	1,256	2,441	7,166	(131)	16,922	35,217
Investing activities	(2,406)	(39,648)	-	-	(598)	(5,136)	(21,268)	626	(7,753)	(76,183)
Financing activities	(22,387)	28,683	-	-	(3,239)	2,220	22,757	170	(9,169)	19,035

20. Financial Instruments

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVPL - Fair values of investment securities are based on quoted prices as of the reporting date. For other investment securities with no reliable measure of fair value, these are carried at its last transaction price.

Derivative instruments - The fair value of the freestanding currency forwards is based on counterparty valuation. Derivative asset - The fair value is estimated using a modified stock price binomial tree model for convertible callable bonds. (Please see related discussion in Noted 16 Short-term and long term debt).

Noncurrent trade and nontrade receivables - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

AFS quoted debt and equity investments - Fair values are based on the quoted prices published in markets.

AFS unquoted equity investments - Fair value of equity funds are based on the net asset value per share. For other unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of suitable method of arriving at a reliable fair value, these are carried at cost less impairment, if any.

Other financial liabilities - non-current - The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

AFS unquoted debt investments - Fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

Accounts payable and accrued expenses, customers' deposits, short-term debt and current portion of long-term debt and service concession obligation - The fair values of accounts payable and accrued expenses and short-term debt approximate the carrying amounts due to the short-term nature of these transactions.

Customers' deposits - non-current - The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The fair value of noncurrent other financial liabilities (fixed rate and variable rate loans repriced on a semi-annual/annual basis and deposits) are estimated using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

Fair Value Hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As of March 31, 2016, there were no transfers made by the Group.

Financial Risk Management

General

Like any other risks, financial risks are inherent in its business activities and are typical of any large holding company. The financial risk management of the Parent Company seeks to effectively contribute to better decision making, enhance performance, and satisfy compliance demands.

The Parent Company defines financial risks as risk that relates to the Parent Company's ability to meet financial obligations and mitigate funding risk, credit risk and exposure to broad market risks, including volatility in foreign currency exchange rates and interest rates. Funding risk refers to the potential inability to meet contractual or contingent financial obligations as they arise and could potentially impact the Parent Company's financial condition or overall financial position. Credit risk is the risk of financial loss arising from a counterparty's failure to meet its contractual obligations or non-payment of an investment. These exposures may result in unexpected losses and volatilities in the Parent Company's profit and loss accounts.

The Parent Company maintains a strong focus on its funding strategy to help provide access to sufficient funding to meet its business needs and financial obligations throughout business cycles. The Parent Company's plans are established within the context of our annual strategic and financial planning processes. The Parent Company also take into account capital allocations and growth objectives, including dividend pay-out. As a holding company, the Parent Company generates cash primarily on dividend payments of its subsidiaries, associates and joint ventures and other sources of funding.

The Parent Company also establishes credit policies setting up limits for counterparties that are reviewed quarterly and monitoring of any changes in credit standing of counterparties.

In 2014, the Parent Company formalized the foreign exchange and interest rate risk management policy. The Parent Company actively monitors foreign exchange exposure and interest rate changes. And in addition, the Parent Company ensures that all loan covenants and regulatory requirements are complied with.

The Ayala Group continues to monitor and manage its financial risk exposures in accordance with Board approved policies. The succeeding discussion focuses on Ayala Group's financial risk management.

For additional discussion, please refer to the Annual Corporate Governance Report posted in the Company's official website www.ayala.com.ph.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at FVPL, AFS financial assets, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as cash and cash equivalents, short-term investments, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The Group's main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, price risk, liquidity risk, and credit risk.

The Group also uses hedging instruments, the purpose of which is to manage the currency and interest rate risks arising from its financial instruments.

The Group's risk management policies relevant to financial risks are summarized below:

Interest Rate Risk
The Group's exposure to market risk for changes in Interest rates relates primarily to the Parent Company's and its subsidiaries' obligations. The policy is to keep a certain level of the total obligations as fixed to minimize earnings volatility due to fluctuation in interest rates.

Foreign Exchange Risk
The Group's foreign exchange risk results primarily from movements of the Philippine Peso (PHP) against other currencies. The Group's consolidated statements of income can be affected significantly by movements in the USD and other currencies versus the PHP. The Group may enter into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of March 31, 2017. The fourth and fifth columns of the table demonstrates the sensitivity to a reasonably possible change in the peso exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (in thousands, unaudited).

Foreign currency	Net asset (liabilities)	PHP equivalent	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
United States Dollar (USD)	(92,115)	(4,620,507)	1.00	(92,115)
			(1.00)	92,115
Japanese Yen (JPY)	(14,403,972)	(6,461,632)	1.00	(14,403,972)
			(1.00)	14,403,972
Chinese RMB (RMB)	178,632	1,298,709	1.00	178,632
			(1.00)	(178,632)
Euro (EUR)	16,804	901,097	1.00	16,804
			(1.00)	(16,804)
Vietnam Dong (VND)	3,827,319	8,416	1.00	3,827,319
			(1.00)	(3,827,319)

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk
AFS financial assets are acquired at certain prices in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments. The Group's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each sector and market.

Liquidity Risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues, both on-shore and off-shore.

Credit Risk
Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's holding of cash and short-term investments and receivables from customers and other third parties exposes the Group to credit risk of the counterparty. Credit risk management involves dealing with institutions for which credit limits have been established. The

Group's Treasury Policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures.

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms.

There has not been any material transaction during the last two years, or proposed transaction, to which the Group was or is to be a party, in which any of its directors or executive officers, any nominee for election as a director or any security holder identified in this condensed interim financial information had or is to have a direct or indirect material interest.

In 2014, Company adopted a Related Party Transactions (RPT) policy which provides that related party transactions between the Company and related parties shall be subject to review and approval to ensure that they are at "arm's length", the terms are fair, and they will inure to the best interest of the Company and its shareholders.

Highlights of related party transactions follow:

Transactions with BPI
The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱32.3 billion and ₱24.4 billion, as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively. The Other Current Assets account as of March 31, 2017 (unaudited) and December 31, 2016 (audited) includes ₱2.2 billion and ₱1.0 billion Financial Assets at FVPL of ALI with BPI, respectively. The Group also has short-term and long-term debt payable to BPI amounting to ₱26.6 billion and ₱33.4 billion as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2017 and varying schedules of payments for interest.

Receivables from Related Parties
The Group has ₱2,081 million and ₱2,340 million receivables from related parties as of March 31, 2017 (unaudited) and December 31, 2016 (audited) respectively. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to two (2) years. Advances include certain residential development projects which become due as soon as the projects are completed. The receivables also include certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, interest free, will be settled in cash and are due and demandable. (see Note 6 Accounts and Notes Receivable)

Receivables from Officers and Employees
The Group has ₱1,842 million and ₱1,091 million receivables from officers and employees as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively. These pertain to housing, car, salary and other loans granted to the Group's officers and employees, which are collectible through salary deduction, are interest bearing ranging from 5.0% to 10.0% per annum and have various maturity dates ranging from 2017 to 2027.

Payables to Related Parties
The Group has payables to various related parties amounting to ₱2,535 million and ₱3,442 million as of March 31, 2017 (unaudited) and December 31, 2016 (audited), respectively. These payables include: a) cost of lots for joint development projects; b) purchased parts and accessories and vehicles; and c) advances and reimbursements for operating costs. These are all interest-free, unsecured, will be settled in cash. Maturities of these payables range from 15 days to one year, with some accounts due and demandable (see Note 10 Accounts Payable and Accrued Expenses).

Income and Expenses

The group realized total income of ₱177 million and ₱234 million from related parties and incurred total expenses of ₱116 million and ₱162 million for the period ending March 31, 2017 and 2016, respectively (both unaudited). These 2017 amounts represent 0.28% and 0.24% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest, water utilities, communications and professional fees (see Note 16 Short Term and Long Term Debt).

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Ayala Corporation's net income expanded 20 percent in the first quarter of the year to ₱6.9 billion driven by the robust results of its banking and real estate businesses, as well as the solid earnings of its emerging businesses in power and industrial technologies.

Consolidated Sale of Goods and Services

Sales of goods and rendering services expanded 19 percent to ₱54.1 billion, driven by sustained growth in land sales, mid-residential, and mid-income housing segments of Ayala Land, and the strong performance of AC Industrials. This was further boosted by increased revenues from Ayala Land's hotel and leasing businesses, as well as increments in Manila Water, AC Education, and AC Energy. This comprised 86 percent of total income in the first quarter of the year.

Real Estate

Ayala Land posted ₱5.6 billion in net income during the period, 18 percent higher year-on-year on the continued expansion of its property development and commercial leasing businesses.

Property development revenues jumped 21 percent to ₱19.7 billion, backed by the residential, office for sale, and commercial and industrial lots segments. Residential revenues grew 11 percent to ₱16.6 billion, supported by higher bookings and project completions across all residential brands. Bookings from Alveo's Park Triangle Tower and Avida's Capital House, both in Bonifacio Global City, as well as the Alveo Financial Tower in the Makati Central Business District, drove the 26 percent increase in office for sale revenues to ₱1.5 billion. Meanwhile, commercial and industrial lot revenues expanded tenfold to ₱1.6 billion, fueled by lot sales in Vermosa and Arca South.

Mall and office leasing revenues continued to improve, reaching ₱7.1 billion, up nine percent from a year ago. Ayala Land booked ₱3.8 billion in mall leasing revenues during the period, a 12 percent increase year-on-year. This was driven by the contributions from newly opened malls, namely: The 30th in Pasig City, UP Town Center in Quezon City, South Park in Muntinlupa City, Ayala Malls in Legaspi, and the addition of Tutuban Center in Manila. Office leasing revenues rose eight percent to ₱1.5 billion on higher average rent in established offices and contributions from newly opened office spaces. Hotel and resorts revenues were stable at ₱1.7 billion, up four percent from a year ago.

In the first three months of the year, Ayala Land deployed ₱21.8 billion in capital expenditures. Of this amount, 46 percent was used for the completion of residential projects, while 37 percent was channeled into commercial leasing projects. The remaining amount was allocated for land acquisition and the developments of Ayala Land's existing estates.

Water

Because of higher costs from new investments and expansion initiatives, Manila Water posted a two percent decline in its net earnings to ₱1.4 billion in the first quarter. Consolidated revenues, however, rose three percent to ₱4.4 billion owing to a slight increase in billed volume during the period.

Manila Water continues to pursue growth opportunities outside the Manila Concession. In the first quarter, its businesses outside the Manila Concession accounted for 19 percent of its net income. Manila Water Philippine Ventures, Manila Water's holding company for its domestic subsidiaries outside the Manila Concession, recorded attributable net income of ₱145 million, 36 percent higher than the previous year, bolstered by the robust performance of Estate Water, Laguna Water, and Cebu Water.

Estate Water recorded a net income of ₱66 million, surging nearly fourfold as its operations continued to ramp up. Strong billed volume growth in Laguna Water and Cebu Water drove their net earnings during the period, which expanded 24 percent to ₱54 million, and 46 percent to ₱19 million, respectively.

Revenues from the Manila Concession were flat at ₱3.6 billion, tracking the one percent growth in billed volume during the period. Non-revenue water stood at 12.2 percent, a one percentage point decline from the previous year. Collection efficiency stood at 102 percent.

Manila Water continues to ramp up its expansion initiatives geographically and across its products and services. In the Philippines, Manila Water Philippine Ventures through Laguna Water will be taking over the water distribution of Calauan town, further expanding its footprint in the province of Laguna. Moreover, Boracay Water started supplying bulk water to the municipality of Malay in the province of Aklan. In Vietnam, Manila Water Asia Pacific completed the negotiations with Tan Hiep, the water supplier of Saigon Water Corporation in the Hoc Mon District of Ho Chi Minh City, for a bulk water operations project. It also won a full water distribution operations contract to serve the central highlands of Gia Lai Province in Vietnam. Manila Water Total Solutions launched in April the 500-milliliter “Healthy Family Mini” purified water.

Industrial Technologies

In March, AC Industrials assumed Ayala’s 50.7 percent ownership in Integrated Micro-Electronics originally held by AYC Holdings. The transaction consolidated Ayala’s existing assets in manufacturing, and vehicle distribution and dealership under AC Industrials, to execute Ayala’s vision to assemble a portfolio of businesses that own, develop, enable, manufacture, and commercialize automotive and other industrial technologies platforms.

AC Industrials recorded ₱332 million net income, 22 percent higher from the previous year driven by the robust performance of both its electronics manufacturing and automotive retail businesses.

Solid topline growth and better gross profit margins lifted IMI’s net income, which expanded 33 percent to US$8.7million (₱434.1 million). As of 2016, IMI was the 20th largest global EMS provider according to Manufacturing Market Insider, a notch higher from its 2015 ranking.

IMI’s revenues climbed 18 percent to US$235.9 million (₱11.8 billion) led by its Europe, Philippine, and Mexico operations. In addition, the consolidation of newly-acquired VIA Optronics boosted IMI’s core businesses, contributing US$23.9 million during the first quarter of the year. Gross profit reached US$28.9 million, 38 percent higher from the previous year, with gross profit margin improving to 12.2 percent from its year ago level of 10.5 percent.

In April, IMI announced the acquisition of an 80 percent stake in UK-based STI Enterprises Limited, subject to closing conditions and regulatory approval. STI provides electronics design and manufacturing solutions in both printed circuit board assembly and full box-build manufacturing for high-reliability industries. This acquisition will enable IMI to expand into the aerospace and defense markets while strengthening the industrial segment in manufacturing, as well as in technology development and engineering.

AC Industrials’ automotive business recorded a net income of ₱117 million, 10 percent higher than the previous year on the back of robust sales of its Honda BR-V and Civic. Revenues rose 37 percent to ₱7.6 billion driven by robust demand across all brands.

KTM Philippines manufactured its first motorcycle, with the formal opening of its manufacturing facility set to commence in June of this year. Located in IMI’s complex in Laguna, the facility has an estimated annual production capacity of 20,000 motorcycles, the majority of which is meant for export to China and to Southeast Asian countries.

Power Generation

Sustained operating efficiencies of its power assets drove AC Energy’s results in the first quarter. Net income surged 25 percent to ₱313.7 million. This was achieved despite the annual maintenance for AC Energy’s conventional energy assets, South Luzon Thermal Energy Corporation and GNPower Mariveles, which was scheduled during the period.

AC Energy continues to execute on its 2020 target of doubling its total attributable capacity to 2,000 megawatts, while increasing its portfolio of renewable energy to 1,000 megawatts. In March, it acquired 100 percent ownership of Bronzeoak Clean Energy and San Carlos Clean Energy. These bring complementary strengths to AC Energy, specifically in renewable energy development, management, and operations.

Also in March, as part of an Indonesian consortium, AC Energy completed the acquisition of Chevron Global Energy Inc. and Union Oil Company of California’s geothermal assets and operations in Indonesia. These assets have a combined capacity of approximately 637 megawatts of steam and power, and will contribute to AC Energy’s growing portfolio of renewable energy assets.

Infrastructure

AC Infrastructure continues to optimize the operations of its three public-private partnership projects. Light Rail Manila Corporation, which manages and operates LRT 1, increased average daily train trips to 471 from 462 during the same period in 2016. It averaged close to 445,000 daily riders for the first three months of the year. The Muntinlupa-Cavite Expressway averaged close to 28,000 vehicles per day, up 29 percent year-on-year as of this March. Meanwhile, the Beep ticketing system now has close to 3.1 million cards in circulation since its launch in 2015. AC Infra reported a net income of ₱9 million for the first quarter of the year.

In March, AC Infra, together with SM Investments Corporation, submitted its first unsolicited proposal to the Department of Public Works and Highways to design, finance, construct, operate, and maintain for a 35-year period an 8.6-kilometer elevated toll road linking Sta. Mesa, Manila to the Mall of Asia Complex in Pasay City via the Central Business District. The proposed C3 Elevated Expressway (C3EX) completes the Circumferential Road 3 and is expected to reduce traffic congestion along Epifanio Delos Santos Avenue and improve access to Manila Bay development areas, the Makati central business district, and the cities of Mandaluyong, San Juan, and Manila.

In May, LRMC broke ground for pre-construction work on the LRT-1 Cavite Extension. The project will connect the existing LRT-1 line to an 11.7-kilometer alignment with eight passenger stations located in Paranaque, Las Pinas, and Cavite.

Social Infrastructure

In healthcare, Generika's revenues grew 10 percent year-on-year to ₱746.9 million driven by higher distribution and retail sales. As of the first quarter, Generika had a footprint of 684 stores nationwide. Meanwhile, AC Health's full-service primary care community clinics, FamilyDOC, served close to 21,000 unique patients as of the first three months of the year. To date, AC Health operates six FamilyDOC clinics in the southern Greater Manila Area. FamilyDOC targets to open 18 new clinics this year, with the expansion to commence in July.

AC Education continues to deliver affordable, quality education in both secondary and tertiary levels. Its Affordable Private Education Center will welcome its first batch of Grade 10 junior high school students and Grade 12 senior high school students for the upcoming school year 2017 to 2018. It has a network of 24 school branches in the Greater Manila Area and surrounding provinces. In tertiary education, University of Nueva Caceres graduated 680 college students in March, its second batch under AC Education.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures rose seven percent to ₱4.5 billion compared to the same period last year, with BPI as a significant contributor for its gains from trading securities and increments in its core banking business. A higher share in the net earnings of Ayala Land's AJVs also supported the increase. These gains were partially offset by a decline in share in net earnings of Globe, as well as in AC Energy due to an absence of a share in the net earnings of NorthWind, which used to be its associate but is now a subsidiary.

Banking

Bank of the Philippine Islands booked robust results in the first quarter of the year with net income surging 26 percent to ₱6.3 billion buoyed by the consistent performance of its core lending business. This was further boosted by its fee-based businesses and gains from securities trading and property sales.

BPI's total revenues jumped 18 percent year-on-year to ₱18 billion. Net interest income expanded 15 percent to ₱11.5 billion, bolstered by higher asset yields and the growth of its loan portfolio. Non-interest income jumped 23 percent to ₱6.5 billion on securities trading gains, service charges, underwriting fees, and gains from asset sales.

Cognizant of customers' evolving needs and preferences, BPI increased its investments in tools and processes to ensure greater convenience and security for customers amid an increasingly digital environment. The bank's operating expenses during the period amounted to ₱8.7 billion, up 11 percent owing to additional manpower, regulatory costs, and spending on operational infrastructure. Despite higher operating expenses, BPI's cost-to-income ratio improved to 48.6 percent compared to 51.4 percent during the same period last year. The bank ended the first quarter with return on assets of 1.5 percent and a return on equity of 15 percent, up 0.14 and 1.89 percentage points, respectively.

BPI's loan portfolio expanded 20 percent year-on-year to ₱1.03 trillion. The bank maintains a healthy asset base with gross 90-day non-performing loans improving to 1.5 percent compared to its year ago level of 1.7 percent. Reserve cover grew to 123.7 percent from 114.2 percent in the same period last year. Total deposits stood at ₱1.4 trillion, up 11 percent, with low-cost deposits amounting to 73.9 percent of the full amount.

Telecom

The sustained momentum in data-related services across mobile data, home broadband, and corporate data segments drove Globe Telecom's topline growth in the first three months of the year, which improved four percent to ₱31 billion. Mobile data revenues climbed eight percent to ₱10 billion, with this segment now representing 42 percent of total mobile revenues. Data-related services accounted for 53 percent of Globe's total service revenues during the period.

Despite this improvement in revenues, the higher depreciation, interest expense, and costs related to the strategic acquisition of San Miguel's telecom assets weighed on Globe's net income, which declined 13 percent to ₱3.8 billion in the first quarter. Stripping off the impact of costs related to the acquisition of San Miguel's telecom assets, Globe's normalized net income declined by only four percent.

Globe's earnings before interest, taxes, and depreciation slightly rose two percent to ₱13.3 billion as the increase in revenues was pared by higher operating expenses. EBITDA margin during the period stood at 42.8 percent, 0.8 percent lower from its year ago level. Globe booked ₱6.4 billion in depreciation expenses, four percent higher as a result of the aggressive infrastructure investments it made in recent years.

Acquisition of high-value prepaid subscribers slightly lifted Globe's mobile subscriber base, which stood at 58.6 million in the first quarter, two percent higher than a year ago. Globe's prepaid segment accounted for 99 percent of subscriber identification modules (SIM) during the period. Effective this reporting period, Globe will report subscriber information based on a churn rate of 90 days from the previous 120 days.

As part of its commitment to improve LTE capacity and network coverage, Globe has deployed 260 LTE700 and 30 LTE2600 sites during the first quarter using frequencies obtained from the San Miguel acquisition. It also launched 155 sites utilizing the LTE1800 frequency.

Other Income

Other income soared 71 percent to ₱3 billion on the back of rehabilitation works of Manila Water, dividend income from AC Energy, investments gains from Ayala Land and Bestfull, and foreign exchange gains of IMI.

Costs and Expenses

Consolidated cost of sales climbed 21 percent to ₱39.2 billion, on the back of higher sales and revenues from the real estate, automotive, manufacturing, education, and energy businesses.

Consolidated general and administrative expenses jumped 22 percent to ₱5 billion. This was attributed to combined increments in the group's expenses, including Ayala Land's contracted services, communications, and training; Manila Water's depreciation/amortization and manpower costs; AC Automotive's marketing and promo expenses; and IMI's manpower costs and professional fees.

Balance Sheet Highlights

In the first three months of 2017, total debt at the consolidated level stood at ₱313.5 billion, 5.9 percent higher than the December 2016 level as a result of Ayala's bond issuance, and additional loans taken on by Ayala Land and AC Energy.

Consolidated cash and short term investments rose seven percent to ₱65 billion at the end of March, a result of Ayala's peso bond offering and IMI and Ayala Land's loan availments. This was partially offset by a decrease in AC Energy, following its additional investments into associates and joint ventures, as well as a decrease in Ayala Land due to expenditures related to its real estate projects.

Current accounts and notes receivable rose 11 percent to ₱129.7 billion, on the back of higher sales from Ayala Land's land and and mid-income housing sales, further lifted by the hotel and leasing businesses. Stronger sales from the manufacturing and automotive businesses also contributed to the increase.

Ayala ended the first quarter of 2017 with a healthy balance sheet, with ample capacity to undertake investments and cover its dividend and debt obligations. Cash at the parent level amounted to ₱24.2 billion, while net debt was recorded at ₱62 billion. Net debt to equity ratio in the first quarter was 0.57 at the parent level, and 0.65 at the consolidated level. Ayala's loan to value ratio, the ratio of its parent net debt to the total value of its investments, was at 10.4 percent at the end of March.

Key Performance indicators:

The Group maintains healthy financial ratios driven by strong operating performance of major subsidiaries and investees.

The key performance indicators (consolidated figures) that the Group monitors are the following:

Ratio	Formula	**March 2017 (Unaudited)**	December 2016 (Audited)
Liquidity Ratio	(Cash/ Cash equivalents + Short-term cash investments) / Current Liabilities	**0.28**	0.26
Current ratio	Current assets / Current liabilities	**1.24**	1.22
Solvency Ratio	(After-Tax Net Profit + (Depreciation + Amortization)+ Provision for Bad Debts) / Total Liabilities	**0.02**	0.02 *
Debt-to-Equity Ratio	(Long-term Loans + Short Term Loans) / Equity Attributable to Owners of the Parent	**1.32**	1.28
Assets- to-Equity Ratio	Total Assets / Equity Attributable to Owners of the Parent	**3.95**	3.95
Interest Expense Coverage Ratio	EBITDA / Interest Expense	**5.87**	5.57 *
Return on Equity	Net Income to Owners of the Parent / Equity Attributable to Owners of the Parent (Average)	**3.0%**	2.7%*
Return on Common Equity	(Net Income to Owners of the Parent Less Dividends on Preferred Shares) / Common Equity Attributable to Owners of the Parent (Average)	**3.1%**	2.9%*
Return on Assets	Net Income / Total Assets	**1.2%**	1.2%*

** Based on Unaudited March 31, 2016.*

2.1 Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of March 31, 2017.

2.2 Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation:

None

2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

None

2.4 Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

At the group level, a total of ₱185 billion was earmarked primarily to support the growth strategies of its real estate, telecommunications and water units and ramp up its emerging businesses in power, industrial technologies, healthcare, and education.

Ayala
For 2017, Ayala have set aside ₱21 billion in capital spending at the parent level with significant allocation for the expansion plans of its power unit, ACEHI and AC Industrial's Automotive group.

For the three-month period ending March 2017, Ayala has spent ₱8.4 billion, a significant portion of which was used to support its investments in ACEHI. The capital expenditures were funded through a combination of internally-generated cash and debt.

ALI
ALI's consolidated budget for project and capital expenditures amount to ₱87.6 billion of which ₱21.8 billion has been disbursed as of March 31, 2017. This will be financed through a combination of internally-generated funds, borrowings and operations. ALI will use the capital expenditure for land acquisition as well as the construction completion of investment properties and launched residential projects.

Of the total capital expenditure of ₱21.8 billion in the first three months of 2017, 46% was spent on the completion of residential projects and 37% was spent on commercial leasing projects, 14% was spent on land acquisition, new businesses, services and other investments while 3% was spent on the development of its estates.

MWC
MWC targets to spend around ₱65.61 billion capital expenditures from 2016 to 2020 for the rehabilitation and construction of facilities to improve water and sewer services in the East Zone or Manila Concession Service Area, based on the 2013 rate rebasing arbitration decision and government approvals. Capital expenditures will be funded from the current cash reserves, internal funds generation and proceeds from available loan facilities.

The MWC's Manila Concession spent a total of ₱1.61 billion (inclusive of concession fee payments) for capital expenditures in the first three months of 2017, 22% more than the ₱1.32 billion spent in the same period the previous year. Of the total amount, 84% was spent on wastewater expansion, network reliability and water supply projects, while the balance of 16% was accounted for by concession fees paid to MWSS. Capital expenditures for the balance of 2017 is expected to ramp up as large projects commence and are awarded to contractors. Planned capital expenditures for 2017 of the Manila Concession is ₱14 billion.

Meanwhile, total capital expenditures of the domestic operating subsidiaries grew by 19% to ₱486 million from the ₱408 million spent in the first quarter of 2017. Of the total amount, ₱227 million was used by Laguna Water for its development of new water sources and network expansion, while Clark Water and Boracay Water disbursed ₱74 million and ₱22 million, respectively. Estate Water spent ₱163 million for its greenfield and brownfield projects.

IMI
IMI expects to spend $66.0M for capital expenditures for existing operations and new expansion projects.

IMI's capital investments in the first quarter totaled $13.4 million, higher by 56% from last year with a significant portion of these investments directly supporting new projects in the pipeline.

ACEHI
As a group, Ayala projected a ₱15.5 billion amount of capital investments on Power for 2017, including ₱10.1 billion to be funded directly by ACEHI. These investments are geared towards completion of project development in the country, investment tie-ups for offshore energy projects and the recent retail electricity supply area.

As of end March, ACEHI has actualized ₱9.8 billion in capital expenditures including P7.9 billion amount funded by AC parent. These capital expenditure were partly funded through internally generated funds and long-term borrowings.

2.5 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Company's and its subsidiaries' performance will continue to hinge on the overall economic performance of the Philippines and other countries where its subsidiaries operate. Key economic indicators, interest rate and foreign exchange rate movements will continue to impact the performance of the real estate, banking, telecom, water infrastructure, power generation, electronics manufacturing and automotive groups, including the parent Company.

2.6 Any significant elements of income or loss that did not arise from the registrant's continuing operations

None

2.7 There were no material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

None

2.8 Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)

Balance Sheet Items
As of March 31, 2017 (Unaudited) vs. December 31, 2016 (Audited)

Cash and cash equivalents – 6% increase from ₱60,223 million to ₱64,034 million
Increase due to AC's peso bond offer and loan availments of IMI and ALI; partly offset by decrease in ACEHI as a result of its additional investments in AJVs and ALI's real estate projects. This account is at 7% of the total assets as of March 31, 2017 and December 31, 2016.

Short-term investments – 39% increase from ₱1,009 million to ₱1,399 million
Increase due to additional investments of AC, MHI and AYC partially offset by decline in ACEHI's short-term investment. This account is at less than 1% of the total assets as of March 31, 2017 and December 31, 2016.

Accounts and notes receivable (current) – 11% increase from ₱116,842 million to ₱129,749 million
Increase attributable to ALI group's higher land sales, mid-residential and mid-income housing as well as from hotel and leasing business; higher sales of IMI and Automotive groups. This account is at 14% and 13% of the total assets as of March 31, 2017 and December 31, 2016, respectively.

Inventories – 24% decrease from ₱76,753 million to ₱58,486 million
Decrease related to ALI group's higher cost of sales and transfers to investment properties partially offset by IMI's higher inventories. This account is at 6% and 8% of the total assets as of March 31, 2017 and December 31, 2016, respectively.

Other Current Assets – 19% increase from ₱33,638 million to ₱39,883 million
Increase pertains to ALI group's higher input tax, CWT and prepayments; plus higher prepayments of AC, Automotive and IMI. This account is at 4% of the total assets as of March 31, 2017 and December 31, 2016.

Accounts and notes receivable (non-current) – 7% decrease from ₱36,484 million to ₱33,944 million
Decrease attributable to ALI's collection and reclassification of receivables to current accounts. This account is at 4% of the total assets as of March 31, 2017 and December 31, 2016.

Investments in associates & joint ventures – 7% increase from ₱180,314 million to ₱192,967 million
Growth was attributable to new investments of ACEHI and higher share in net earnings from BPI and ALI's investees. This account is at 20% of the total assets as of March 31, 2017 and December 31, 2016.

Property, plant and equipment – 6% increase from ₱64,074 million to ₱67,856 million
Increase coming from ACEHI's construction of power plants for GNP Kauswagan's coal investment and IMI's expansion. This account is at 7% of the total assets as of March 31, 2017 and December 31, 2016.

Intangible assets – 20% increase from ₱9,716 million to ₱11,634 million
Higher balance arising from ACEHI's new investment acquisitions. This account is at 1% of the total assets as of March 31, 2017 and December 31, 2016.

Pension and other noncurrent assets - 6% increase from ₱25,847 million to ₱27,327 million
Increase due to ALI's leasehold rights from new investment properties and additional investment in bonds and securities; MWC's higher balance of FCDA due to forex movements; IMI's capitalized project development costs; and ACEHI's goodwill on new acquisitions offset by conversion of deposits into investment in another project. The account also includes the Group's pension asset which has no significant movement for the period.[1] This account is at 3% of the total assets as of March 31, 2017 and December 31, 2016.

Income tax payable – 58% increase from ₱2,270 million to ₱3,595 million
Mainly due to higher tax payable of ALI and MWC groups coming from year-end 2016 balances settled in April 2017. This account is less than 1% of the total liabilities as of March 31, 2017 and December 31, 2016.

Other current liabilities – 28% decrease from ₱17,523 million to ₱12,588 million
Primarily due to ALI group's lower advances and deposits on projects. This account is at 2% and 3% of the total liabilities as of March 31, 2017 and December 31, 2016, respectively.

Long-term debt (noncurrent) – 7% increase from ₱245,203 million to ₱263,323 million
Increase due to peso bond issuance of AC; ALI and ACEHI's additional loans. This account is at 47% and 45% of the total liabilities as of March 31, 2017 and December 31, 2016, respectively.

Deferred tax liabilities – 9% decrease from ₱9,544 million to ₱8,639 million
Decrease attributable to ALI and MWC groups decrease in DTL. This account is at 2% and 1% of the total liabilities as of March 31, 2017 and December 31, 2016, respectively.

Pension liabilities – 12% decrease from ₱2,469 million to ₱2,172 million
Primarily due to AC's lower pension liabilities.[1] This account is at less than 1% of the total liabilities as of March 31, 2017 and December 31, 2016.

Cost of share based payments – 40% decrease from ₱496 million to ₱299 million
Pertains to adjustments in stock options of AC employees. This account is at less than 1% of the total equity as of March 31, 2017 and December 31, 2016.

Remeasurement gains (losses) on defined benefit plan – 5% improvement from negative ₱1,548 million to negative ₱1,472 million
Increase attributable to the effect of PAS 19- immediate recognition of service cost and remeasurement of unrealized actuarial gains (losses). This account is at less than 1% of the total equity as of March 31, 2017 and December 31, 2016.

Net unrealized gains (losses) on available-for-sale financial assets – 25% decline from negative ₱467 million to negative ₱585 million
Pertains to realized gain in one of the Bestfull's investments which was then recognized in P&L partially offset by increase in the market value of securities held by BPI group as available for sale financial assets. This account is at less than 1% of the total equity as of March 31, 2017 and December 31, 2016.

Cumulative translation adjustments - 37% increase from ₱1,415 million to ₱1,943 million
Increase due to upward impact of net foreign assets and liabilities, significantly coming from ACEHI, BHL and IMI groups. Forex of PhP vs US$ increased causing higher CTA figure *(₱50.16 in March 2017 vs. ₱49.72 in December 2016).* This account is at less than 1% of the total equity as of March 31, 2017 and December 31, 2016.

[1] The Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Company, governed by a board of trustees appointed under a Trust Agreement between the Company and the initial trustees. It holds common and preferred shares of the Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee, all of whom are Managing Directors of the Company, are Jose Teodoro K. Limcaoco. (the Company's Chief Finance Officer, Chief Risk Officer & Finance Group Head), Solomon M. Hermosura (the Company's Group Head of Corporate Governance, General Counsel, Corporate Secretary & Compliance Officer), John Philip S. Orbeta (the Company's Head for Strategic Human Resources), Ma. Cecilia T. Cruzabra (the Company's Treasurer), and Josephine G. de Asis (the Company's Comptroller). ACEWRF has not exercised voting rights over any shares of the Company that it owns.

Retained earnings – 5% increase from ₱145,622 million to ₱152,554 million
Represents share in Q1 2017 group net income. This account is at 40% and 39% of the total equity as of March 31, 2017 and December 31, 2016, respectively.

Income Statement items
For the Period Ended March 31, 2017 (Unaudited) vs. March 31, 2016 (Unaudited)

Sale of goods and rendering services – 19% increase from a total of ₱45,279 million to ₱54,093 million
Growth in sale of goods came primarily from sustained growth in land sales, mid-residential and mid-income housing of ALI, higher sales of Automotive and IMI groups. Higher revenues from rendering of service resulted from ALI's hotel and leasing businesses, increments in MWC, Education and ACEHI. As a percentage to total income, this account is at 86% in both March 31, 2017 and 2016.

Share of profit of associates and joint ventures – 7% increase from ₱4,154 million to ₱4,455 million
Increase arising from significant contribution of BPI on gains from trading securities and increments in core banking business, higher share in net earnings of AJVs of ALI partially offset by decline in share in net earnings of Globe and ACEHI due to the absence of share in net earnings of its associate which is now a subsidiary. As a percentage to total income, this account is at 7% and 8% in March 31, 2017 and 2016, respectively.

Other income – 71% increase from ₱1,771 million to ₱3,034 million
Increase due to MWC's higher rehabilitation works, ACEHI's dividend income, ALI and Bestfull's investments gain, and IMI's forex gain. This account is at 5% and 3% of the total income in March 31, 2017 and 2016, respectively.

Cost of sales and rendering services – 21% increase from ₱32,460 million to ₱39,156 million
Increase resulting from higher sales and revenues of ALI, Automotive, IMI, Education, ACEHI and MWC groups. As a percentage to total costs and expenses, this account is at 80% and 79% in March 31, 2017 and 2016, respectively.

General and administrative expenses – 22% increase from ₱4,078 million to ₱4,973 million
Increase mainly on combined increments in the group's expenses specifically from: ALI (contracted services, communication and trainings), MWC (depreciation/amortization and manpower costs), Automotive (marketing and promo expenses) and IMI (manpower costs, professional/ management fees). As a percentage to total costs and expenses, this account is at 10% in both March 31, 2017 and 2016.

Interest expense and other financing charge – 10% increase from ₱3,236 million to ₱3,567 million
Increase attributable to higher loans of ALI group to fund new and expansion projects. As a percentage to total costs and expenses, this account is at 7% and 8% in March 31, 2017 and 2016, respectively.

Other charges – 28% increase from ₱1,111 million to ₱1,422 million
Increase mainly on higher rehabilitation works costs of MWC partially offset by the absence of last year's impairment provisions for certain investments. As a percentage to total costs and expenses, this account is at 3% both in March 31, 2017 and 2016.

Provision for income tax (current and deferred) – 18% increase from ₱2,158 million to ₱2,541million
Primarily due to higher taxable income of several subsidiaries significant portion is attributable to ALI group on account of better sales and other operating results.

Income attributable to Owners of the parent – 20% increase from ₱5,780 million to ₱6,931 million
Increase resulting from better performance of most subsidiaries and associates of the Group.

Income attributable to Non-controlling interests – 17% increase from ₱3,975 million to ₱4,636 million
Better operating results of most of the subsidiaries of the Group.

2.9 Any seasonal aspects that had a material effect on the financial condition or results of operations.

Ayala Corporation being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.

ALI's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

MWC group does not have any significant seasonality or cyclicality in the interim operation, except for the usually higher demand during the months of April and May and in the months of November to December in the case of Globe group.

BPI, IMI and other subsidiaries of the Group do not have seasonal aspects that will have any material effect to their financials or operations.

3.0 Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

a) On April 4, 2017, the BOD of IMI approved the declaration of cash dividend of $0.004529 or ₱0.22739 per share to all outstanding common shares as of record date of April 20, 2017 payable on May 4, 2017.

b) On April 6, 2017, IMI has entered into an agreement with the shareholders of STI Enterprises Limited for the acquisition by IMI, through its subsidiary Integrated Micro-Electronics UK Limited, of an 80% stake in STI. The closing of the transaction is subject to completion conditions and regulatory approval.

c) On May 2, 2017, ALI issued and listed on the PDEx, a 10-year, ₱7 Billion bond carrying a fixed coupon of 5.2624%.

d) On May 9, 2017, the Globe's BOD approved the declaration of the second quarterly cash dividend of ₱22.75 per common share, payable to common stockholders of record as of May 23, 2017. Total dividends amounting to ₱3.0 billion will be payable on June 7, 2017.

   On the same date, the its BOD approved the declaration of the first semi-annual cash dividend for holders of its non-voting preferred shares on record as of August 10, 2017. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500.00 per share on a 30/360 day basis for the six-month dividend period. Total amount of the cash dividend will be payable on August 22, 2017.

3.1 Other material events or transactions during the interim period.

Refer to Notes 3 and 10 of the Notes to Unaudited Consolidated Financial Statements.

PART II – OTHER INFORMATION

The other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 2016 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2016.

In addition, the Group has the following other major information:

1. On January 5, 2017, the Company, in compliance with SEC Memoranda 1 and 12, Series of 2014, advised the changes made in the 2016 Annual Corporate Governance Report (ACGR). The updated ACGR may be accessed from the Company's website through the following link: http://www.ayala.com.ph/governance/page/annual-corporate-governance-report.

2. On February 17, 2017, the Company and Ant Financial Services Group signed the definitive documents, with closing conditions, to subscribe to new shares of Globe Fintech Innovations, Inc. (Mynt). Through this transaction, Ayala will own 10% of Mynt. Mynt is a holding company for financial technology businesses operating under Globe Capital Venture Holdings, Inc. (GCVHI), a wholly owned subsidiary of Globe.

3. On February 23, 2017, the Company, ALI, BPI Capital Corporation (BPI Capital), and Kickstart Ventures Inc. (Kickstart) signed an investment agreement to acquire ownership stakes in BF Jade E-Service Philippines, Inc. (BF Jade), subject to the fulfillment of certain closing conditions, including the approval of the acquisition by the PCC. BF Jade is the owner and operator of online fashion platform Zalora Philippines (Zalora). BPI Capital and Kickstart are wholly owned subsidiaries of BPI and Globe, respectively. Through this transaction, Ayala will own 43.3% of Zalora.

4. On February 23, 2017, the Company issued a press statement about the Group's increasing the capital expenditures in 2017 by 13% to P185 billion, primarily to support the growth strategies of its real estate, telecommunications and water units and ramp up its emerging businesses in power, industrial technologies, healthcare, and education.

   A large portion of this amount was from ALI, which has set aside ₱88 billion mainly to bankroll the completion of its residential, office for sale and leasing projects.

   Furthermore, a significant driver of the conglomerate's capital spending plan this year was Globe, which has allocated ₱37.5 billion to drive its data network infrastructure upgrades, including expenditures for deployments of LTE mobile and home broadband, expansion of network capacities and coverage, and enhancement of corporate data services.

   At the parent level, Ayala will deploy ₱21 billion in capital spending, mainly to support the expansion plans of its power unit, ACEHI. Meanwhile, MWC has budgeted ₱20 billion to support its initiatives in the Manila Concession as well as its expansion plans outside Metro Manila. The rest of the Ayala group's capital expenditures will be deployed across AC Industrials, BPI, AC Health, and AC Education.

5. On March 13, 2017, in a press statement, the Company reported a net income of ₱26 billion in 2016, 17% higher than the previous year, on the back of double-digit growth contributions from its real estate and banking units, boosted by its emerging businesses in power and industrial technologies.

6. On April 3, 2017, the Company clarified the news article entitled, "Ayala also looking at logistics business" published in Manila Standard (Internet Edition) on April 2, 2017. The Company confirmed that it is studying the logistics needs of its business units and have evaluated the spaces which the Company is interested to participate in. However, the Company clarified that these are all exploratory and no deal is imminent at this time.

7. On April 5, 2017, the SEC approved the Company's application for extending the term of the corporate existence of the Company to another fifty (50) years from January 22, 2018.

8. On April 20, 2017, the Company, in compliance with the SEC Memorandum Circular No. 5, Series of 2017, submitted the Definitive Information Statement and Certifications of the following nominees for independent directors for the Annual Stockholders' Meeting scheduled for April 21, 2017.

   a. Xavier P. Loinaz
   b. Antonio Jose U. Periquet; and
   c. Ramon R. Del Rosario, Jr.

9. On April 21, 2017, at the annual meeting of the Company's stockholders, the following are the major items approved:

   a. Approval of minutes of the annual stockholders' meeting held on April 15, 2016.
   b. Approval of Corporation's Annual Report, which consists of the Chairman's Message, President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated audited financial statements of the Corporation and its subsidiaries as of December 31, 2016, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
   c. Election of the following as directors effective immediately and until their successors are elected and qualified:

      Jaime Augusto Zobel de Ayala
      Fernando Zobel de Ayala
      Ramon R. Del Rosario, Jr.
      Delfin L. Lazaro
      Xavier P. Loinaz
      Antonio Jose U. Periquet
      Keiichi Matsunaga

      Messrs. del Rosario, Jr., Loinaz and Periquet were elected as independent directors in accordance with the rules of the Securities and Exchange Commission on the requirements for nomination and election of independent directors.

   d. Election of SyCip, Gorres, Velayo & Co. as the external auditors of our Company for the year 2017.

   At its organizational meeting held immediately after the stockholders' meeting, the Company's BOD elected the following:

   a. Board Committees and Memberships:

Executive Committee	
Jaime Augusto Zobel de Ayala	Chairman
Fernando Zobel de Ayala	Vice Chairman
Keiichi Matsunaga	Member
Audit Committee	
Xavier P. Loinaz (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Keiichi Matsunaga	Member
Risk Management and Related Party Transactions Committee	
Antonio Jose U. Periquet (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Keiichi Matsunaga	Member
Nomination Committee	
Ramon R. del Rosario, Jr. (independent director)	Chairman
Xavier P. Loinaz (independent director)	Member
Antonio Jose U. Periquet (independent director)	Member
Personnel and Compensation Committee	
Ramon R. del Rosario, Jr. (independent director)	Chairman
Delfin L. Lazaro	Member
Keiichi Matsunaga	Member
Finance Committee	
Delfin L. Lazaro	Chairman
Antonio Jose U. Periquet (independent director)	Member
Jaime Augusto Zobel de Ayala	Member
Fernando Zobel de Ayala	Member
Committee of Inspectors of Proxies and Ballots	
Solomon M. Hermosura	Chairman
Catherine H. Ang	Member

Josephine G. De Asis	Member

b. Mr. Xavier P. Loinaz as lead independent director.

c. Officers:

Jaime Augusto Zobel de Ayala	- Chairman & Chief Executive Officer
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer
Gerardo C. Ablaza, Jr.	- Senior Managing Director
Cezar P. Consing	- Senior Managing Director
Bernard Vincent O. Dy	- Senior Managing Director
Arthur R. Tan	- Senior Managing Director
Jose Rene Gregory D. Almendras	- Managing Director and Public Affairs Group Head
Alfredo I. Ayala	- Managing Director
Paolo Maximo F. Borromeo	- Managing Director & Corporate Strategy and Development Group Head
John Eric T. Francia	- Managing Director
Solomon M. Hermosura	- Managing Director, General Counsel, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head
Jose Teodoro K. Limcaoco	- Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head
Ruel T. Maranan	- Managing Director
John Philip S. Orbeta	- Managing Director, Chief Human Resources Officer, and Corporate Resources Group Head
Catherine H. Ang	- Executive Director and Chief Audit Executive
Ma. Cecilia T. Cruzabra	- Executive Director and Treasurer
Josephine G. De Asis	- Executive Director and Controller
Dodjie D. Lagazo	- Assistant Corporate Secretary
Joanne M. Lim	- Assistant Corporate Secretary

d. Ayala Group of Companies Management Committee

Jaime Augusto Zobel de Ayala	- Chairman and Chief Executive Officer, Ayala Corporation
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer, Ayala Corporation
Jose Rene Gregory D. Almendras	- President, AC Infrastructure Holdings Corporation
Alfredo I. Ayala	- President, AC Education, Inc.
Paolo Maximo F. Borromeo	- Corporate Strategy and Development Group Head, Ayala Corporation
Cezar P. Consing	- President, Bank of the Philippine Islands
Ernest Lawrence L. Cu	- President, Globe Telecom, Inc.
Ferdinand M. Dela Cruz	- President, Manila Water Company, Inc.
Bernard Vincent O. Dy	- President, Ayala Land, Inc.
John Eric T. Francia	- President, AC Energy Holdings, Inc.
Solomon M. Hermosura	- General Counsel, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head, Ayala Corporation
Jose Teodoro K. Limcaoco	- Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer & Finance Group Head, Ayala Corporation
Ruel T. Maranan	- President, Ayala Foundation, Inc.
John Philip S. Orbeta	- Chief Human Resources Officer & Corporate Resources Group Head, Ayala Corporation
Arthur R. Tan	- President, AC Industrial Technology Holdings, Inc.

e. Ayala Corporation Management Committee

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Jose Rene Gregory D. Almendras
Paolo Maximo F. Borromeo
John Eric T. Francia
Solomon M. Hermosura
Jose Teodoro K. Limcaoco
John Philip S. Orbeta

10. On April 21, 2017, the Board of Directors approved the Company’s 2017 stock option program pursuant to its Employee Stock Ownership Plan (the “Plan”). The program authorizes the grant to 42 executives, in accordance with the terms of the Plan, stock options covering up to a total of 818,083 common shares at a subscription price of ₱837.53 per share, which is the volume-weighted average prices of its common shares at the Philippine Stock Exchange over the last 30-day trading from March 3 to April 17, 2017.

11. On April 30, 2017, the Company fully redeemed its P10B, 7.20% Fixed Rate Putable Bonds issued last April 30, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **AYALA CORPORATION**

By:

JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: May 12, 2017