SEC Reg. No. 34218

November 14, 2018

Securities and Exchange Commission
SEC Building, Mandaluyong City

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

The Philippine Stock Exchange, Inc.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City 1226

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Philippine Dealing and Exchange Corporation
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas, Makati City 1226

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

Mesdames/Gentlemen:

Please be informed that Ayala Corporation's net income grew three percent year-on-year in the first nine months of 2018 to ₱23.9 billion, supported by strong earnings growth of its real estate, telecommunications and power businesses. However, growth was tempered by higher parent company interest expense resulting from increased borrowings to support Ayala's capital expenditures and investments.

Equity earnings reached ₱29.3 billion, nine percent higher than a year ago. This was underpinned by robust contributions from Ayala Land and Globe, which expanded 17 percent and 16 percent, respectively. This was further boosted by AC Energy, whose equity earnings contribution surged 40 percent in the first nine months of the year.

Very truly yours,

Jose Teodoro K. Limcaoco
Chief Finance Officer

14 November 2018

9M 2018 EARNINGS RELEASE

Ayala's nine-month net income reaches ₱23.9 billion, up 3 percent year-on-year

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In the third quarter, Ayala recorded a net income of ₱7.8 billion, five percent lower from a year ago as the strong third quarter results of Ayala Land was offset by the weaker performance of AC Industrials. The absence of service fees in AC Energy's third quarter income this year also weighed on earnings. In the same period a year ago, AC Energy booked services income derived from the financial close and construction of a new power plant. Excluding transaction gains, third quarter 2018 net income grew six percent year-on-year.

"These results reflect the value of having a well-diversified portfolio. While some businesses have more exposure to the impact of certain local and global macroeconomic and industry challenges, other businesses have been fairly insulated and are providing a positive balance to our portfolio," Ayala President and Chief Operating Officer Fernando Zobel de Ayala said.

Real Estate

Ayala Land sustained its earnings momentum, with net income growing 17 percent year-on-year to ₱20.8 billion primarily driven by its residential segment, supported by the commercial leasing business.

Revenues surged 21 percent to ₱119.7 billion on the back of solid property development growth, supported by commercial leasing revenue expansion. Property development revenues jumped 23 percent to ₱82.8 billion on new bookings and project completions. Meanwhile, reservation sales grew 15 percent to ₱108.4 billion. On the other hand, commercial leasing revenues climbed 14 percent to ₱25.3 billion on higher contributions of newly opened malls, offices, and hotels.

Ayala Land's diversification strategy continued to gain traction. New estates or growth centers accounted for 54 percent of Ayala Land's net income while the established estates (Makati, BGC, Nuvali, and Cebu) accounted for 46 percent.

Ayala Land spent ₱77.9 billion in capital expenditures in the first nine months of the year, comprising 70 percent of its full-year budget. Bulk of the amount was allocated to residential projects.

Banking

Bank of the Philippine Islands reported a net income of ₱17.0 billion, flat versus the previous year. In the third quarter, its net income grew 12 percent year-on-year.

Nine-month revenues grew 7.3 percent to ₱56.9 billion on the back of a 15 percent growth in net interest income, which reached ₱40.9 billion. The increase in net interest income was a result of a 9.4 percent increase in average asset base and a 17-basis point expansion in net interest margin. Interest income from loans grew 24.2 percent year-on-year as the yield on interest-earning assets improved 37 basis points. This was partially offset by a 24-basis point increase in cost of funds due to higher time deposit rates and higher documentary stamp taxes on deposits.

On a quarter-on-quarter basis, net interest margin expanded 14 basis points as a result of favorable loan repricing following the policy rate hike by the Bangko Sentral ng Pilipinas earlier in the quarter. NIM continued its uptrend, reaching 3.24 percent in the third quarter, from 3.10 percent in the second quarter, and from 2.91 percent in the first quarter. This trend is reflective of the bank's proactive balance sheet and funding strategies in response to changes in the interest rate environment.

Total loans stood at ₱1.27 trillion, reflecting a 12.9 percent growth year-on-year, boosted by the strong growth in corporate loans and credit card loans at 13.7 percent and 22 percent, respectively. Total deposits reached ₱1.54 trillion, up by 2.5 percent, with current and savings accounts registering faster growth at 6.4 percent. The Bank's CASA ratio stood at 74 percent while the loan-to-deposit ratio was at 82.2 percent.

Year-to-date, BPI registered higher fee-based income from its credit card, deposit and rental businesses. However, lower securities trading gains, trust and investment management fees, insurance income and assets sales contributed to an 8.7 percent decline in non-interest income, to ₱16.01 billion from the ₱17.54 billion posted over the same period in 2017.

Provision for loan losses over the period amounted to ₱2.84 billion, 21.2 percent lower year-on-year.

Operating expenses totaled ₱32.08 billion for the first nine months of 2018, an increase of 15.2 percent year-on-year on accelerated spending to support the Bank's digitalization strategy and the branch network expansion of BPI Direct BanKo. Cost-to-Income ratio was at 56.4 percent as of September 2018, up from 52.5 percent in the previous year. Return on Equity was 10.4 percent, lower by 2.7 percentage points, and Return on Assets was 1.2 percent, lower by 0.12 percentage points, compared to the same period in 2017.

At the end of September 2018, the Bank's total assets stood at ₱1.96 trillion, up by 8.9 percent, while total capital reached ₱245.93 billion, up by 37.4 percent on account of the May 2018 stock rights offering. Capital Adequacy Ratio (CAR) was at 16.99 percent and Common Equity Tier 1 Ratio (CET1) was at 16.09 percent.

In August, the Bank successfully raised US$600 million in the international bond market, the largest issuance of a Philippine bank in the offshore debt market. The five-year senior unsecured fixed rate S note issuance with a coupon rate of 4.25 percent was the maiden drawdown under BPI's US$2 billion medium-term note program. The bond was listed on the Singapore Exchange with a Baa2 rating assigned by Moody's Investor Service.

Telco

Globe Telecom's service revenues grew nine percent to ₱103.3 billion fueled by strong data-related revenue growth across all business segments as it continued to expand its 4G and LTE network amid growing demand for content-rich offerings and multi-media applications. As the market continues to shift from traditional services to data-related products, Globe's data-related businesses accounted for 59 percent of its service revenues during the period.

Mobile data boosted Globe's mobile revenues, which expanded 26 percent to ₱39.5 billion. Mobile subscribers grew 10 percent to 65.4 million in the first nine months of the year.

Globe's home broadband business performed well during the period, up 15 percent to ₱13.5 billion, bolstered by subscriber expansion in the fixed wireless segment. Home broadband subscribers grew 23 percent to 1.5 million. Similarly, corporate data business rose 11 percent to ₱8.4 billion with the sustained increase in customer base, circuit count, and usage.

On the back of strong revenue growth and controlled costs, EBITDA expanded 21 percent to ₱49.1 billion, with an EBITDA margin of 47 percent. On a post-Philippine Financial Reporting Standards basis, Globe posted a net income of ₱15.2 billion in the first nine months of the year, mainly due to the strong EBITDA expansion offsetting depreciation charges and non-operating expenses booked for the period.

Please note that all post-PFRS numbers quoted are only estimates and will be finalized once Globe's automation efforts on the adoption of the new accounting standards are completed.

In the first nine months of the year, Globe spent ₱32.5 billion in capital expenditures to support the continued growth of its subscriber base and the growing demand for data-related services. To date, Globe has a total of 40,522 base stations, with close to 27,000 for 4G to support the service requirements of its customers.

Last week, Globe's Board of Directors approved the proposed change in the dividend policy from 75 percent to 90 percent of prior year's core net income to 60 percent to 75 percent of prior year's core net income. This will be applied to the dividend declaration in 2019. The amended policy will provide Globe with increased flexibility in capital management. This adjustment will also ensure the sustainability of the operations in this investment-heavy environment, while protecting future dividends, once planned expansion yields beneficial results.

Water

Manila Water recorded net income of ₱4.9 billion, one percent higher from the previous year, led by the Manila Concession and Manila Water Asia Pacific.

Revenues expanded seven percent to ₱14.4 billion on higher billed volume growth in the Manila Concession, which grew three percent to 378 million cubic meters on increase in billed connections.

Manila Water secured approval from Metropolitan Water and Sewerage System (MWSS) for a positive tariff adjustment between ₱5.94 – ₱6.18 per cubic meter, or nearly 25 percent of the current basic tariff for the Fourth Rate Rebasing Period. The first tranche of the adjustment was successfully implemented on October 16, 2018, by way of a ₱1.46 increase per cubic meter. Subsequent adjustments are programmed for 2020 and 2021; each amounting to ₱2.00. Moreover, MWSS incorporated a possible additional incremental adjustment in 2022, from ₱0.76 to a ₱1.04 increase. This is contingent to the development and execution of key water source projects.

Revenues from Manila Water Philippine Ventures (MWPV), which includes Clark Water, Laguna Water, Boracay Water, Cebu Water, and Estate Water climbed five percent to ₱2.4 billion buoyed by healthy tariff levels. Its net income, however, was tempered by higher cost of sales and operating expenses which surged 35 percent to ₱1.7 billion.

MWPV recently received a Notice of Award from Tanauan Water District for the provision of water supply and sanitation services in Tanauan, Batangas. The project totals ₱1.51 billion over the 25-year contract period. Moreover, MWPV was recently granted a franchise to provide water supply and sanitation services in San Fabian, Pangasinan. This will be for a term of 25 years with an assumed billed volume of over 12.6 million liters per day.

Meanwhile, Manila Water Asia Pacific continued to post strong performance, with an 82 percent increase in equity share in net income of associates to ₱514 million. The Vietnam operating subsidiaries, namely Thu Duc, Kenh Dong, and Saigon Water, exhibited significant revenue and earnings growth.

Power

AC Energy's net earnings expanded 39 percent to ₱2.8 billion in the first nine months of the year owing largely to higher equity in net earnings across both its thermal and renewable platforms.

Equity in net earnings from AC Energy's investee companies surged 81 percent to ₱2.7 billion on the back of the strong performance and higher equity stake in GN Power Mariveles. Moreover, the fresh contribution of its first greenfield offshore project which started operations in the first quarter, the 75-

megawatt Sidrap Wind Farm located in South Sulawesi, Indonesia, lifted AC Energy's equity earnings during the period. Further, the full nine-month contribution of SD Geothermal also provided a boost.

Last month, AC Energy in partnership with AMI Renewables Energy Joint Stock Co., signed EPC and financing documents for the development of solar plants in Vietnam. The joint venture announced its plans to build solar farms totaling 80 megawatts in the provinces of Khanh Hoa and Dak Lak, to be commissioned in time for the June 2019 solar feed-in tariff deadline. The projects are estimated to cost USD 83 million, financed with debt and equity. AC Energy will participate with at least 50 percent economic share.

Recently, AC Energy acquired an approximately 25 percent ownership in The Blue Circle Pte. Ltd. (TBC), as well as co-investment rights in TBC projects. AC Energy and TBC will jointly develop, construct, own and operate TBC's pipeline of around 1,500 megawatts of wind projects across Southeast Asia, including ~700 megawatts in Vietnam. AC Energy's renewable energy pipeline continues to grow as the joint venture expects to start construction of around 200 megawatts of wind farms in Vietnam in 2019. AC Energy has earmarked US$100 million of equity for these projects.

Industrial Technologies

AC Industrials' net income ended 27 percent lower year-on-year to ₱758 million, largely due to the weaker performance of its automotive businesses and the startup losses from new businesses, which are still ramping up. This decline was partially offset by a one-time gain in its electronic manufacturing services arm.

In vehicle retail and distribution, AC Automotive's net income dropped 65 percent to ₱157 million due to significantly lower earnings of the group's Honda and Isuzu dealerships, both hit by weaker sales amid the industry slowdown. Adding to the decline was the lower contributions from AC Industrials' investments in Isuzu and Honda's Philippine distributorship companies.

In electronics manufacturing, IMI's revenues surged 27 percent to US$1 billion with corresponding gross profit increase of 22 percent. Gross profit margins, however, declined from last year's 11 percent to 10.6 percent due to higher material, production, and logistics costs arising from the global component shortage. Nine-month 2018 net income reached US$41.4 million, driven by non-operating income from recent transactions such as the sale of a Shenzhen entity and reversal of contingent liability related to the STI acquisition. These are offset by a partial impairment of recorded goodwill on the acquisition of our China facilities triggered by slowing growth in the region. Weakness of the RMB and EUR also resulted to significant foreign exchange losses.

Balance Sheet

Ayala's balance sheet remained healthy with enough capacity to undertake investments and cover its dividend and debt obligations. As of end-September this year, parent level cash stood at ₱16.7 billion while net debt stood at ₱94.6 billion. Ayala's net debt to equity ratio ended at 0.79 at the parent level and 0.73 at the consolidated level. The company's loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, was at 11.1 percent.

The conglomerate's peso-dollar debt split ended at 66:34 in the first nine months of the year. Ayala's dollar denominated debts are fully covered by foreign currency assets.

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AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

		September 2018		September 2017
REVENUE				
Sale of goods	₱	**100,365,568**	₱	125,303,516
Rendering of services		**101,311,032**		45,166,460
Share of profit of associates and joint ventures		**15,551,656**		14,227,819
Interest income		**5,821,794**		4,747,380
Dividend income		**427,070**		646,627
		223,477,120		190,091,802
COSTS AND EXPENSES				
Costs of sales		**74,117,462**		99,273,049
Costs of rendering services		**70,643,185**		23,212,788
General and administrative		**20,769,893**		14,963,667
		165,530,540		137,449,504
OTHER INCOME (CHARGES)				
Other income		**14,973,349**		11,439,520
Interest and other financing charges		**(13,767,994)**		(10,794,645)
Other charges		**(6,767,377)**		(6,393,865)
		(5,562,022)		(5,748,990)
INCOME BEFORE INCOME TAX		**52,384,558**		46,893,308
PROVISION FOR INCOME TAX				
Current		**11,924,367**		9,168,239
Deferred		**(341,928)**		(412,548)
		11,582,439		8,755,691
NET INCOME	₱	**40,802,119**	₱	38,137,617
Net Income Attributable to:				
Owners of the parent	₱	**23,863,767**	₱	23,235,153
Non-controlling interests		**16,938,352**		14,902,464
	₱	**40,802,119**	₱	38,137,617
EARNINGS PER SHARE				
Basic	₱	**36.69**	₱	35.86
Diluted	₱	**36.13**	₱	35.38

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2018 (With Comparative Audited Figures as at December 31, 2017)
(Amounts in Thousands)

	September 2018 Unaudited	December 2017 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	₱ 72,654,474	₱ 64,259,279
Short-term investments	6,546,201	5,400,239
Accounts and notes receivable	133,991,229	124,109,122
Inventories	99,779,248	76,542,538
Other current assets	51,984,100	45,324,696
Total Current Assets	364,955,252	315,635,874
Noncurrent Assets		
Noncurrent accounts and notes receivable	46,842,008	45,774,058
Land and improvements	170,525	93,869,008
Investments in associates and joint ventures	240,526,195	202,649,300
Investment properties	235,415,085	137,657,633
Property, plant and equipment	95,793,403	85,430,631
Service concession assets	95,787,479	91,049,570
Intangible assets	16,435,188	16,705,000
Deferred tax assets - net	14,484,675	12,720,910
Other noncurrent assets	25,307,481	20,053,768
Total Noncurrent Assets	770,762,039	705,909,878
Total Assets	₱ 1,135,717,291	₱ 1,021,545,752
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	₱ 34,979,287	₱ 29,904,723
Accounts payable and accrued expenses	170,450,931	169,652,527
Income tax payable	1,705,255	1,710,260
Other current liabilities	23,007,405	25,983,794
Current portion of:		
Long-term debt	47,958,270	13,731,967
Service concession obligation	832,424	803,898
Total Current Liabilities	278,933,572	241,787,169
Noncurrent Liabilities		
Long-term debt - net of current portion	328,740,793	306,975,262
Service concession obligation - net of current portion	6,852,683	7,748,056
Deferred tax liabilities - net	8,845,334	8,108,305
Pension liabilities	2,741,818	2,600,756
Other noncurrent liabilities	52,190,041	43,233,816
Total Noncurrent Liabilities	399,370,669	368,666,195
Total Liabilities	678,304,241	610,453,364
Equity		
Equity attributable to owners of the parent		
Paid-in capital	83,297,765	75,001,174
Share-based payments	238,871	248,212
Remeasurement losses on defined benefit plans	(1,291,417)	(1,303,288)
Net unrealized gain (loss) on available-for-sale financial assets	145,597	(1,107,962)
Cumulative translation adjustments	6,154,641	2,794,303
Equity reserve	9,688,944	11,600,281
Equity conversion option	1,087,758	1,113,003
Retained earnings	190,857,215	170,302,028
Treasury stock	(2,300,000)	(2,300,000)
	287,879,374	256,347,751
Non-controlling interests	169,533,676	154,744,637
Total Equity	457,413,050	411,092,388
Total Liabilities and Equity	₱ 1,135,717,291	₱ 1,021,545,752