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

1 2 / 3 1	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

6653	P 4 0 B. bonds	
Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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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)

June 30, 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: **June 30, 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 June 30, 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	621,224,987

** 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 June 30, 2017: **₱40 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 June 30, 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 [ ]

TABLE OF CONTENTS

The unaudited consolidated financial statements and other parts of the entire SEC 17Q report as of June 30, 2017 make reference to certain financial information and disclosures in the December 31, 2016 annual audited consolidated financial statements. This SEC17Q report should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2016*.

This SEC17Q report also include 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 information and operating highlights of these subsidiaries, associate and joint venture as contained in their respective December 31, 2016 audited financial statements and SEC17A reports and SEC17Q report as of June 30, 2017.**

**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 audited consolidated financial reports and SEC 17A reports as of December 31, 2016 as well as SEC 17Q report as of June 30, 2017 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*

PART I FINANCIAL INFORMATION

Item 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017 (With Comparative Audited Figures as at December 31, 2016)
(Amounts in Thousands)

	June 2017 Unaudited	December 2016 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱49,965,162**	₱60,223,324
Short-term investments (Note 5)	**2,045,605**	1,008,705
Accounts and notes receivable (Note 6)	**118,410,083**	116,841,963
Inventories (Note 7)	**76,044,597**	76,752,875
Other current assets (Note 8)	**45,755,378**	33,638,483
Total Current Assets	**292,220,825**	288,465,350
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	**30,008,513**	36,484,347
Land and improvements (Note 9)	**100,747,788**	101,049,171
Investments in associates and joint ventures (Note 10)	**196,574,644**	180,313,743
Investment properties (Note 12)	**120,067,631**	110,916,644
Property, plant and equipment (Note 12)	**75,435,223**	64,074,471
Service concession assets (Note 13)	**84,872,949**	82,422,249
Intangible assets (Note 11)	**14,361,323**	9,716,403
Deferred tax assets - net (Note 11)	**12,158,183**	12,414,647
Pension and other noncurrent assets (Note 8)	**28,029,856**	25,847,478
Total Noncurrent Assets	**662,256,110**	623,239,153
Total Assets	**₱954,476,935**	₱911,704,503
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	**₱21,905,959**	₱30,858,137
Accounts payable and accrued expenses (Note 14)	**170,766,937**	164,600,578
Income tax payable	**2,035,524**	2,270,315
Current portion of:		
Long-term debt (Note 16)	**11,139,698**	19,792,669
Service concession obligation	**770,066**	754,519
Other current liabilities (Note 15)	**13,680,429**	17,522,984
Total Current Liabilities	**220,298,613**	235,799,202
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**280,645,399**	245,203,145
Service concession obligation - net of current portion	**6,850,432**	6,822,862
Deferred tax liabilities – net	**9,026,068**	9,543,754
Pension liabilities	**2,239,288**	2,469,140
Other noncurrent liabilities (Note 15)	**44,220,515**	40,870,522
Total Noncurrent Liabilities	**342,981,702**	304,909,423
Total Liabilities	**563,280,315**	540,708,625

(Forward)

	June 2017	December 2016
	Unaudited	Audited
Equity		
Equity attributable to owners of the parent		
Paid-in capital (Note 17)	**₱74,731,342**	₱74,379,760
Share-based payments	**280,078**	495,759
Remeasurement losses on defined benefit plans	**(1,549,628)**	(1,548,192)
Net unrealized loss on available-for-sale financial assets	**(1,068,175)**	(466,676)
Cumulative translation adjustments	**2,412,939**	1,414,550
Equity reserve	**12,113,508**	12,211,275
Equity conversion option (Note 16)	**1,113,745**	1,113,745
Retained earnings (Note 17)	**158,532,253**	145,622,311
Treasury stock	**(2,300,000)**	(2,300,000)
	244,266,062	230,922,532
Non-controlling interests	**146,930,558**	140,073,346
Total Equity	**391,196,620**	370,995,878
Total Liabilities and Equity	**₱954,476,935**	₱911,704,503

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	2017		2016	
	April to June Unaudited	**Jan to June Unaudited**	April to June Unaudited	Jan to June Unaudited
INCOME				
Sale of goods	**₱43,396,787**	**₱81,036,288**	₱31,126,364	₱61,588,165
Rendering of services	**13,165,948**	**29,619,120**	14,502,930	29,319,694
Share of profit of associates and joint ventures	**4,926,664**	**9,381,482**	5,974,970	10,128,567
Interest income	**1,699,865**	**3,344,726**	1,686,444	3,281,852
Other income	**3,875,705**	**6,910,225**	2,265,076	4,036,021
	67,064,969	**130,291,841**	55,555,784	108,354,299
COSTS AND EXPENSES				
Costs of sales	**34,329,887**	**64,435,321**	23,668,207	48,349,786
Costs of rendering services	**6,521,671**	**15,572,632**	8,065,021	15,843,976
General and administrative	**4,980,155**	**9,952,775**	4,320,698	8,398,833
Interest and other financing charges	**3,647,394**	**7,214,493**	3,448,849	6,685,092
Other charges	**1,483,685**	**2,905,448**	999,796	2,110,430
	50,962,792	**100,080,669**	40,502,571	81,388,117
INCOME BEFORE INCOME TAX	**16,102,177**	**30,211,172**	15,053,213	26,966,182
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**2,840,333**	**5,575,983**	2,431,599	4,485,862
Deferred	**226,965**	**32,635**	249,189	353,123
	3,067,298	**5,608,618**	2,680,788	4,838,985
NET INCOME	**₱13,034,879**	**₱24,602,554**	₱12,372,425	₱22,127,197
Net Income Attributable to:				
Owners of the parent	**₱8,128,115**	**₱15,059,380**	₱7,992,380	₱13,772,428
Non-controlling interests	**4,906,764**	**9,543,174**	4,380,045	8,354,769
	₱13,034,879	**₱24,602,554**	₱12,372,425	₱22,127,197
EARNINGS PER SHARE				
Basic	**₱12.57**	**₱23.22**	₱12.37	₱21.18
Diluted	**₱12.32**	**₱22.82**	₱12.22	₱20.90

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	2017		2016	
	April to June Unaudited	**Jan to June Unaudited**	April to June Unaudited	Jan to June Unaudited
NET INCOME	**₱13,034,879**	**₱24,602,554**	₱12,372,425	₱22,127,197
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	**736,806**	**1,435,341**	552,390	114,822
Changes in fair values of available-for-sale financial assets	**(322,434)**	**(614,995)**	(83,047)	(325,947)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains/(losses) on defined benefit plans – net	**(80,667)**	**(48,172)**	75	(29,018)
	333,705	**772,174**	469,418	(240,143)
SHARE OF OTHER COMPREHENSIVE INCOME 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	**32,683**	**57,570**	(21,369)	(72,287)
Changes in fair values of available-for-sale financial assets	**(187,867)**	**(14,537)**	298,967	693,427
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains/(losses) on defined benefit plans	**(869)**	**56,924**	227	(2,744)
	(156,053)	**99,957**	277,825	618,396
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**177,652**	**872,131**	747,243	378,253
TOTAL COMPREHENSIVE INCOME	**₱13,212,531**	**₱25,474,685**	₱13,119,668	₱22,505,450
Total Comprehensive Income Attributable to:				
Owners of the parent	**₱8,038,316**	**₱15,454,835**	₱8,664,859	₱14,136,845
Non-controlling interests	**5,174,215**	**10,019,850**	4,454,809	8,368,605
	₱13,212,531	**₱25,474,685**	₱13,119,668	₱22,505,450

See accompanying Notes to Unaudited Interim Condensed 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,059,380**	**-**	**15,059,380**	**9,543,174**	**24,602,554**
Other comprehensive income (loss)	**-**	**-**	**(58,360)**	**(586,962)**	**940,819**	**-**	**-**	**-**	**-**	**295,497**	**476,677**	**772,174**
Share in other comprehensive income (loss) of associates and joint ventures	**-**	**-**	**56,924**	**(14,537)**	**57,570**	**-**	**-**	**-**	**-**	**99,957**	**-**	**99,957**
Total comprehensive income (loss)	**-**	**-**	**(1,436)**	**(601,499)**	**998,389**	**-**	**-**	**15,059,380**	**-**	**15,454,834**	**10,019,851**	**25,474,685**
Exercise of ESOP/ESOWN	**351,582**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**351,582**	**-**	**351,582**
Cost of share-based payments	**-**	**(215,681)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(215,681)**	**-**	**(215,681)**
Cash Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,149,438)**	**-**	**(2,149,438)**	**(2,811,395)**	**(4,960,833)**
Change in non-controlling interests/Others	**-**	**-**	**-**	**-**	**-**	**(97,767)**	**-**	**-**	**-**	**(97,767)**	**(351,244)**	**(449,011)**
At June 30, 2017 (Unaudited)	**₱ 74,731,342**	**₱ 280,078**	**₱ (1,549,628)**	**₱ (1,068,175)**	**₱ 2,412,939**	**₱ 12,113,508**	**₱ 1,113,745**	**₱ 158,532,253**	**₱ (2,300,000)**	**₱ 244,266,062**	**₱ 146,930,558**	**₱ 391,196,620**

	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	-	-	-	-	-	-	-	13,772,428	-	13,772,428	8,354,769	22,127,197
Other comprehensive income (loss)	-	-	(15,592)	(326,355)	87,968	-	-	-	-	(253,979)	13,836	(240,143)
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(2,744)	693,427	(72,287)	-	-	-	-	618,396	-	618,396
Total comprehensive income (loss)	-	-	(18,336)	367,072	15,681	-	-	13,772,428	-	14,136,845	8,368,605	22,505,450
Exercise of ESOP/ESOWN	348,043	-	-	-	-	-	-	-	-	348,043	-	348,043
Cost of share-based payments	-	(236,578)	-	-	-	-	-	-	-	(236,578)	-	(236,578)
Cash Dividends	-	-	-	-	-	-	-	(1,786,154)	-	(1,786,154)	(2,771,850)	(4,558,004)
Change in non-controlling interests/Others	-	-	-	-	-	14,499	-	-	-	14,499	1,008,571	1,023,070
At June 30, 2016 (Unaudited)	₱ 74,267,365	₱ 332,269	₱ (1,268,052)	₱ (187,225)	₱ 304,364	₱ 12,416,810	₱ 1,113,745	₱ 136,454,738	₱ (2,300,000)	₱ 221,134,014	₱ 126,491,950	₱ 347,625,964

	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)	-	-	(14,392)	(113,809)	1,196,774	-	-	-	-	1,068,573	624,140	1,692,713
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(284,084)	201,430	(70,907)	-	-	-	-	(153,561)	-	(153,561)
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 Interim Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	June 2017 Unaudited	June 2016 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱30,211,172**	₱26,966,182
Adjustments for:		
Interest and other financing charges - net of amount capitalized	**7,214,493**	6,685,092
Depreciation and amortization	**6,161,518**	5,755,724
Cost of share-based payments	**(24,342)**	20,462
Provision for doubtful accounts (Note 6)	**42,882**	9,225
Provision for (reversal of) inventory obsolescence	**34,586**	(89,960)
Provision for (reversal of) impairment losses on investments in associates and joint ventures (Note 10)	**(586,000)**	283,774
Mark to market gain on financial assets at fair value through profit or loss (FVPL) and derivatives	**(119,660)**	–
Dividend income and other investment gain	**(258,382)**	(154,500)
Gain on sale of:		
Investments	**(663,775)**	(166,103)
Other assets	**(9,888)**	(6,382)
Interest income	**(3,344,726)**	(3,281,852)
Share of profit of associates and joint ventures	**(9,381,482)**	(10,128,567)
Operating income before changes in working capital	**29,276,396**	25,893,095
Decrease (increase) in:		
Accounts and notes receivable - trade	**4,275,945**	(6,785,482)
Inventories	**1,456,836**	(8,841,908)
Service concession assets	**(3,732,855)**	(1,890,468)
Other current assets	**(2,132,805)**	1,465,628
Increase (increase) in:		
Accounts payable and accrued expenses	**6,177,338**	15,981,788
Net pension liabilities	**(247,228)**	(378,061)
Other current liabilities	**(4,628,978)**	(1,832,753)
Net cash generated from operations	**30,444,649**	23,611,839
Interest received	**3,336,845**	3,274,818
Interest paid	**(7,397,922)**	(6,811,513)
Income tax paid	**(5,810,774)**	(5,725,730)
Net cash provided by operating activities	**20,572,798**	14,349,414

(Forward)

	June 2017 Unaudited	June 2016 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of investments in bonds and other securities	**₱262,343**	₱23,453
Sale/maturities of investments in associates and joint ventures	**887,283**	193,442
Disposals of:		
Property, plant and equipment	**1,523,908**	977,509
Investment properties	**99,204**	229,388
Land and improvements	**301,384**	–
Maturities of (additions to) short-term investments	**(1,036,900)**	1,466,023
Decrease in (additions to):		
Service concession assets	**(18,187)**	(117,426)
Investments in associates and joint ventures	**(7,637,658)**	(10,920,698)
Property, plant and equipment	**(13,623,898)**	(10,700,366)
Investment properties	**(15,215,497)**	(13,165,239)
Land and improvements	**–**	(3,079,767)
Accounts and notes receivable - non trade	**1,113,751**	(8,132,666)
Financial assets at fair value through profit or loss	**(4,676,256)**	–
Investment in bonds and other securities	**(776,394)**	833,740
Intangible assets	**(213,085)**	–
Dividends received from associates, joint ventures and investments in equity securities	**4,152,560**	3,842,696
Acquisitions through business combinations - net of cash acquired	**(2,798,848)**	–
Increase in other noncurrent assets	**(4,459,027)**	(5,080,756)
Net cash used in investing activities	**(42,115,317)**	(43,630,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debt	**43,332,093**	44,949,809
Payments of short-term and long-term debt	**(27,633,326)**	(26,250,039)
Dividends paid	**(5,246,521)**	(5,069,985)
Service concession obligation paid	**(255,308)**	(653,105)
Collections of subscriptions receivable	**160,243**	88,510
Issuance of common shares	**–**	2,493
Increase (decrease) in:		
Other noncurrent liabilities	**1,147,134**	1,197,617
Non-controlling interests in consolidated subsidiaries	**(219,957)**	1,691,302
Net cash provided by financing activities	**11,284,358**	15,956,602
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,258,162)**	(13,324,651)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**60,223,324**	82,154,542
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱49,965,162**	₱68,829,891

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. Corporation Information and Basis of Financial Statement Preparation

Ayala Corporation (herein referred to as "the Company", "the Parent Company" or "Ayala" is incorporated in the Republic of the Philippines on January 23, 1968. On April 15, 2016, during the annual meeting of its stockholders, the stockholders ratified the amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23, 2018. The Company's registered office address and principal place of business is 32F-35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The Company is a publicly listed company which is 48.89% owned by Mermac, Inc., 10.15% owned by Mitsubishi Corporation and the rest by the public.

The Company is the holding company of the Ayala Group of Companies (collectively referred to as "the Group"), with principal business interests in real estate and hotels, financial services and insurance, telecommunications, water infrastructure, electronics manufacturing, industrial technologies, automotive, power generation, transport infrastructure, international real estate, healthcare and education.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* Accordingly, the unaudited interim 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 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 interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries.

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

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

2. Significant Accounting Policies

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Group's statements of financial position and statements of comprehensive income unless otherwise indicated:

- Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- 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.

Additional disclosures are provided in Note 16 to the unaudited interim condensed consolidated financial statements.

- Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses

Starting May 1, 2017, the Service Concession Assets (SCA) of Manila Water Company, Inc. and subsidiaries (the “MWC Group”) are amortized using the units of production (UOP) method over the expected total volume for the remaining concession period. Prior to this, the straight line amortization method over the remaining concession period was applied.

Standards and Interpretations 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, 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 PFRS 9. Full impact of 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 interim condensed consolidated financial statements included the financial statements of the Company and the following wholly and majority owned domestic and foreign subsidiaries:

		% of Economic Ownership	
Subsidiaries	Nature of Business	**June 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 Technologies 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	**47.1**	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 percentage of economic ownership.

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 various dates between January to June 2017, the Company infused a total of ₱1.3 billion to ACEHI to fund its various investments.

b) 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 ACEHI's associate, 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.

c) 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.

d) 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.

The provisional values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows:

AC Energy DevCo Inc. (in thousand pesos)

Assets	
Cash and cash equivalents	₱2,655
Receivables	3,122
Prepayments and other current assets	14,305
Investments	2,127
Property, plant and equipment	1,299
	23,509
Liabilities	
Accounts payable and accrued expenses	6,412
	6,412
Net Assets	**₱17,097**
Cost of acquisition	₱768,984
Provisional goodwill	**₱751,887**
Cash consideration	₱768,984
Less: Cash acquired from the subsidiary	2,655
Net cash flow (included in cash flows from investing activities)	**₱766,329**

Visayas Renewables Corp. *(in thousand pesos)*

Assets	
Cash and cash equivalents	₱6,226
Prepayments and other current assets	10
Investments	797
	7,033
Liabilities	
Accounts payable and accrued expenses	73
	73
Net Assets	**₱6,960**
Cost of acquisition	₱527,445
Provisional goodwill	**₱520,485**
Cash consideration	₱527,445
Less: Cash acquired from the subsidiary	6,226
Net cash flow (included in cash flows from investing activities)	**₱521,219**

The purchase price allocation (PPA) for the above acquisitions have been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. These include, among others, information based on appraisal reports for property, plant and equipment and information necessary for the valuation of identified intangible assets (processes, project development costs, etc.). Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property, plant and equipment, intangible assets and goodwill. The provisional goodwill recognized on the acquisition can be attributed to the FIT contract.

e) 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 significant influence as a result of its 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.

f) In February 2016, the solar farm owned by Monte Solar Energy Inc. (Montesolar) began full commercial operations dispatching 18MW to the grid. The solar farm is located in Bais City, Negro Oriental and is the first phase of the total of 50MW of solar power to be completed by the AC Energy-Bronzeoak Clean Energy joint venture.

On June 13, 2016, the Department of Energy (DOE), through its issuance of the Certificate of Endorsement, certified the Montesolar's Solar Farm Project as an eligible project under the Feed-in-Tariff (FIT) system. On July 14, 2016, the Energy Regulatory Commission (ERC) issued a provisional authority to operate until January 31, 2017. On December 28, 2016, Montesolar received another provisional authority to operate by the ERC dated December 8, 2016 but this time, as a renewable energy generation company, which allows the Company to be entitled to a FIT rate of ₱8.69/Kwh for a period of twenty (20) years from March 13, 2016.

As of June 30, 2017, Montesolar recognized FIT differential totalling ₱145.0 million covering the period March to August 2016 and January to June 2017. On August 8, 2017, Montesolar collected the first FIT differential payment from Transco.

AC Infra Group

a) On various dates between January to June 2017, the Company infused ₱243.8 million to AC Infra to fund its business development and general and administrative expenses as well as additional investment in AF Payments, Inc.

b) On March 31, 2017, AC Infra and SM Investment Corporation submitted an unsolicited proposal to the Department of Public Works and Highways (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.

ACIFL

a) In March and April 2017, ACIFL repurchased its 115,000,000 shares and 39,968,660 shares, respectively, 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$155.0 million. ACIFL remained a wholly-owned subsidiary of the Company after the transaction.

AC Industrial Group

a) On June 2, 2017, AC Industrial, through its wholly-owned subsidiary AC Industrials (Singapore) Pte. Ltd, completed the signing and execution of the Share Purchase and Transfer Agreement to acquire 94.9% of MT Misslbeck Technologies Gmbh in a transaction valued at €26.8 million total enterprise value. On July 5, 2017, AC Industrial closed and completed the acquisition and assumed full control over the operations of MT Misslbeck Technologies Gmbh, which was also subsequently renamed to MT Technologies Gmbh.

MT is a German-based automotive supplier of models, tools and plastic parts to automotive original equipment manufacturers (OEMs) and automobile tier 1 suppliers. The company, which traces its roots to a workshop established in 1869, has production plants in Ingolstadt, Germany. MT designs and creates models of entire cars or parts of a car, develops, designs and manufactures injection moulds for metal and plastic car parts, and produces automotive plastic parts for prototyping and serial production.

This investment forms part of AC Industrial's strategy to increase its competence and capabilities in the automotive value chain and will complement AC Industrials' existing businesses in manufacturing services and vehicle distribution and dealerships.

b) On various dates between January to June 2017, the Company infused ₱6.8 billion to AC Industrial Group to fund its various investments.

ALI Group

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

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

b) On February 20, 2017, the BOD of ALI approved the raising of up to ₱20.0 billion 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.

   On May 2, 2017, ALI issued and listed in Philippine Dealing Exchange (PDEx) its ₱7 Billion Fixed Rate Bonds (Bonds) due 2027. The Bonds has a term of ten (10 years) with a fixed interest rate of 5.2624% per annum. The Bonds have been rated PRS Aaa by PhilRatings, which is considered the highest quality with minimal credit risk.

c) On June 27, 2017, Prime Orion Philippines, Inc. (POPI) sold 512.4 million common shares to Orion Land Inc., a 100% subsidiary of POPI. The 512.4 million common shares acquired represent an 11.69% interest in POPI for a total consideration ₱1,257.3 billion. Accordingly, the transaction resulted in equity reserve of ₱405.18 million.

d) On various dates in 2016, ALI acquired a 21.1% stake in OCLP Holdings, Inc. (OHI) consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships. The acquisition was made possible via the purchase of shares from existing OHI shareholders which amounted to ₱7,320.7 million. For purposes of the provisional purchase price allocation, ALI Group assumed that the purchase price is equal to the proportionate share of the Group in the fair value of assets and liabilities of OHI. OHI owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses. As of June 30, 2017, the purchase price allocation of OHI has been prepared using the appraisal values of the OHI landbank as of May 2016. The negative goodwill amounting to ₱148.0 million was included under "Other income" as follows:

	(in million pesos)
Total Net Assets acquired	₱7,338
Acquisition Cost	7,190
Negative Goodwill	₱148

e) The voting rights held by the Group in ALI as of June 30, 2017 and December 31, 2016 is equal to 68.7%.

AHHI Group

a) On various dates between January to June 2017, the Company infused ₱400.0 million to AHHI Group to fund its various investments.

b) In February, 2017, AHHI entered into a Shareholders' Agreement to hold interest in the equity of Wellbridge Health, Inc., owner and operator of MedGrocer, an FDA-licensed ePharmacy and medicine benefits management service. AHHI purchased its 17% stake for ₱13.2 million, of which ₱6.6 million was paid in cash and ₱6.6 million payable upon SEC approval of issuance of new class B shares.

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, through a special block sale of IMI shares. The sale of shares was approved by the PSE on March 29, 2017. This transaction was granted exemptive relief from the application of the mandatory tender offer rules by the SEC 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% stake in Honda Cars Philippines, Inc. (HCPI), a 15% stake in Isuzu Philippines Corp. (IPC), a 100% stake in Honda Cars Makati, Inc. (HCMI), Isuzu Automotive Dealership, 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 Industrial 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 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.

d) Acquisition of Surface Technology International Enterprises Limited (STI)
On April 6, 2017, IMI has entered into an agreement with the shareholders of STI for the acquisition by IMI, through its subsidiary IMI UK, of an 80% stake in STI, an electronics manufacturing services (EMS) company based in the United Kingdom, with factories in Hook and Poynton in the United Kingdom and Cebu, Philippines. The closing of the transaction transpired on May 16, 2017 upon completion of pre-closing conditions and regulatory approval.

IMI has elected to measure non-controlling interest in the acquiree at the proportionate share of the non-controlling interest in the recognized amounts of the acquiree's identifiable net assets. The carrying amount of non-controlling interest changes due to allocation of profit or loss, changes in other comprehensive income and dividends declared for the reporting period.

The provisional values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows:

Assets	
Cash and cash equivalents	US$4,006
Receivables	11,658
Inventories	15,517
Prepayments and other current assets	3,657
Property, plant and equipment	7,572
	42,410
Liabilities	
Trade accounts payable	5,051
Accrued expenses	2,140
Other current liabilities	15,582
Short-term debt	14,062
Long-term debt	256
Other noncurrent liabilities	1,272
	38,363
Net Assets	**US$4,047**
Cost of acquisition	US$61,222
Less: Share in the fair value of net assets acquired (80.00%)	3,238
Provisional goodwill	**US$57,984**
Non-controlling interest (20.00%)	**US$809**

The purchase price allocation for the acquisition of STI has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This includes information based on appraisal reports for property, plant and equipment and information necessary for the valuation of identified intangible assets (customer relationships). Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property, plant and equipment, intangible assets and goodwill. The provisional goodwill recognized on the acquisition can be attributed to STI's access to the UK market through two acquired factories. Further, the partnership allows the entry of IMI Group into the aerospace, security and defense sectors.

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date. The comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

Analysis of cash flows on acquisition:

Initial purchase consideration	US$29,751
Contingent consideration	31,471
Cost of acquisition	US$61,222
Cash consideration	US$29,750
Less: Cash acquired from the subsidiary	4,005
Net cash flow (included in cash flows from investing activities)	**US$25,745**

The initial purchase consideration of GBP23.00 million (US$29.75 million) upon signing of the agreement was paid in cash. The deferred consideration will depend on the actual normalized EBITDA performance less adjustments in 2018 and 2019. The contingent consideration was recognized at its fair value as part of the consideration transferred using the probability-weighted average of payouts associated with each possible outcome which resulted to an initial estimate amounting to GBP24.33 (US$31.47 million). The transaction also includes put and call option provisions for further assessment of the management.

Acquisition-related costs, which consist of professional and legal fees, financing and transaction costs, taxes, representation and travel expenses amounting to US$1.52 million were recognized as expense in 2017.

Acquisition of VIA
On August 16, 2016, Cooperatief and the shareholders of VIA entered into a Sale and Purchase Agreement (SPA) under which Cooperatief will acquire a 76.01% stake in VIA for a total cash consideration of €47.79 million (US$53.46 million), while the remaining 23.99% to be retained by the company founder.

The purchase price allocation for the acquisition of VIA has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. As of June 30, 2017, there have been no changes in the provisional values of the identifiable assets and liabilities acquired and goodwill as at the date of acquisition.

e) As of June 30, 2017, the Company and AC Industrial effectively own 50.7% of IMI. The voting rights held by the Group in IMI as of June 30, 2017 and December 31, 2016 is equal to 50.7%.

MWC Group

a) On January 15, 2016, Manila Water Philippine Ventures, Inc. (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.

b) 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.

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

   On June 19, 2017, MWC has signed a Joint Venture Agreement (JVA) with CWD which will govern the relationship of the two parties as joint venture partners in undertaking the Project. Under the JVA, MWC and CWD shall cause the incorporation of a joint venture company. MWC and CWD shall own 90.00% and 10.00%, respectively, of the joint venture company's outstanding capital stock. The joint venture company will then enter into a concession agreement with CWD for the implementation of the Project for twenty-five (25) years from the commencement date, as defined in the concession agreement.

   On August 2, 2017, the SEC approved the incorporation of Calasiao Water Company, Inc.

d) On January 4, 2017, MWPVI entered into an Asset Purchase Agreement ("APA") with Asian Land Strategies Corporation ("Asian Land") to acquire and operate the latter's assets used in the water business operations in Asian Land's developments in the province of 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. On July 26, 2017, BMDC entered into an APA with Solar Resources, Inc. ("Solar") to acquire and operate the latter's assets used in the water business operations in Solar developments in the province of Bulacan.

   On July 31, 2017, MWPVI assigned all its rights and obligations on the APA to BMDC, a wholly-owned subsidiary of MWPVI, under a Deed of Assignment. On the same day, the Deed of Absolute Sale has also been executed between Asian Land and BMDC.

e) 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.

f) 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 were paid on June 30, 2017 to stockholders of record as of March 15, 2017.

g) On June 7, 2017, Tourism Infrastructure and Enterprise Zone Authority (TIEZA) approved the first tranche of tariff increase of 30.14% of Boracay Island Water Company, Inc., a subsidiary of MWC, pertaining to rate rebasing adjustment to be implemented effective July 1, 2017.

h) On June 21, 2017, Manila Water South Asia Holdings Pte. Ltd (MWSAH) (a subsidiary of MWC) subscribed to an additional 6.15 million primary shares of Saigon Water at a subscription price of VND16,900.00 per share for a total amount of VND103.87 billion (equivalent to ₱229.16 million). As a result of this additional subscription, MWSAH now holds 38.0% of the outstanding capital stock of Saigon Water.

i) The voting rights held by the Group in MWC as of June 30, 2017 and December 31, 2016 is equal to 80.4%.

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.

	June 2017 (Unaudited)	December 2016 (Audited)	
Ayala Land, Inc. and Subsidiaries			
(In Million Pesos)			
Current assets	**212,297**	211,012	
Non-current assets	**334,098**	325,420	
Current liabilities	**172,450**	188,203	
Non-current liabilities	**192,604**	175,546	
Equity			
Attributable to owners of the parent	**155,250**	147,705	
Attributable to non-controlling interest	**26,091**	24,978	
Revenue	**64,526**	54,760	*
Net income			
Attributable to owners of the parent	**11,512**	9,740	*
Attributable to non-controlling interest	**1,818**	1,540	*
Other comprehensive income	**(42)**	(3)	*
Manila Water Co. Inc. and Subsidiaries			
(In Million Pesos)			
Current assets	**11,328**	8,256	
Non-current assets	**81,704**	77,223	
Current liabilities	**9,635**	7,482	
Non-current liabilities	**36,571**	33,616	
Equity			
Attributable to owners of the parent	**45,753**	43,384	
Attributable to non-controlling interest	**1,073**	997	
Revenue	**9,124**	8,769	*
Net income			
Attributable to owners of the parent	**3,219**	3,138	*
Attributable to non-controlling interest	**76**	68	*
Other comprehensive income	**172**	(8)	*
Integrated Microelectronics, Inc. and Subsidiaries			
(In Million US$)			
Current assets	**497**	407	
Non-current assets	**316**	229	
Current liabilities	**390**	270	
Non-current liabilities	**162**	128	
Equity			
Attributable to owners of the parent	**258**	237	
Attributable to non-controlling interest	**3**	1	
Revenue	**501**	410	*
Net income			
Attributable to owners of the parent	**17**	15	*
Attributable to non-controlling interest	**1**	-	*
Other comprehensive income	**12**	1	*

***** *Based on unaudited June 30, 2016.*

As of June 30, 2017 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 52.9%, 48.4% and 49.3%, respectively.

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

	June 2017 (Unaudited)	December 2016 (Audited)
Cash on hand and in banks	**18,367,126**	23,721,591
Cash equivalents	**31,598,036**	36,501,733
	49,965,162	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 ₱23.7 billion and ₱24.0 billion, as of June 30, 2017 (unaudited) and December 31, 2016 (audited), respectively (see Note 21).

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

	June 2017 (Unaudited)	December 2016 (Audited)
Money market placements	**2,045,605**	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 ₱772.4 million and ₱405.5 million, as of June 30, 2017 (unaudited) and December 31, 2016 (audited), respectively (see Note 21).

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

	June 2017 (Unaudited)	December 2016 (Audited)
Trade:		
Real estate and hotels	**82,319,758**	90,043,604
Electronics manufacturing	**11,951,299**	9,784,345
Automotive	**4,020,819**	2,791,338
Water infrastructure	**3,079,630**	2,712,944
International and others	**901,887**	525,154
BPO	**214,697**	275,198
Advances to contractors and suppliers	**25,638,425**	27,609,966
Advances to other companies	**17,379,647**	17,041,090
Receivable from related parties (Note 21)	**2,100,949**	2,339,638
Receivable from officers and employees (Note 21)	**1,753,009**	1,090,801
Dividend receivable	**1,153,595**	1,228,133
Receivable from Bonifacio Water Corporation (BWC)	**529,501**	529,501
Others	**94,152**	58,954
	151,137,368	156,030,666
Less allowance for doubtful accounts	**2,718,772**	2,704,356
	148,418,596	153,326,310
Less noncurrent portion	**30,008,513**	36,484,347
	118,410,083	116,841,963

The aging of the above receivables is 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	63,645	17,007	8,746	13,090	102,488
Non-Trade Receivables	27,237	10,521	8,085	88	45,931
Total	90,882	27,528	16,831	13,178	148,419

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 June 30, 2017, this account decreased from year-end 2016 balances mainly due to ALI's collections and partial sale of receivables to banks. Provision for Doubtful Accounts amounted to net provision of ₱42.9 million and ₱9.8 million for the periods ended June 30, 2017 and 2016 (both unaudited) which form part of the Group's General and Administrative Expenses, respectively.

7. Inventories (in thousand pesos):

	June 2017 (Unaudited)	December 2016 (Audited)
Real estate inventories		
At cost	**62,312,629**	65,558,950
At NRV	**936,183**	936,183
Vehicles	**3,327,899**	4,001,188
Finished goods	**1,417,978**	1,010,200
Work-in-process	**1,280,074**	817,987
Parts and accessories	**1,115,253**	373,100
Materials, supplies and others	**6,023,474**	4,389,714
	76,413,490	77,087,322
Less: Allowance for inventory obsolescence and decline in value*	**368,893**	334,447
	76,044,597	76,752,875

**Excluding allowance for real estate inventories*

Decrease in Real estate inventories by ₱3.2 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 ₱34.6 million and negative ₱90.0 million (net reversal mainly coming from IMI group) for the period ended June 30, 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):

	June 2017 (Unaudited)	December 2016 (Audited)
Input VAT	**17,240,812**	11,822,618
Prepaid expenses	**12,077,730**	11,798,740
Financial assets at FVPL	**11,825,664**	6,664,015
Creditable withholding tax	**3,576,298**	2,234,594
Derivative assets	**171,357**	245,887
Concession financial receivable	**207,268**	200,253
Deposits in escrow	**18,515**	104,163
Others	**637,734**	568,213
Other current assets	**45,755,378**	33,638,483
Other noncurrent assets	**22,480,864**	21,045,520
Investments in bonds and other securities	**5,353,005**	4,565,079
Pension asset	**195,987**	236,879
Pension and other noncurrent assets	**28,029,856**	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 [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 other current assets pertains to ALI group's higher FVPL/money market placements/ UITF investments, input tax, prepayments for project costs; AC Industrial's higher prepayments and input tax, plus IMI's consolidation of new subsidiaries; AAC's deposits for an aircraft acquisition; and BHL's additional infusion in certain FVPL investments.

The significant increase in the other non-current assets pertains to ALI's additional prepaid costs for unlaunched projects and investment in bonds and other securities; MWC's higher balance of deferred FCDA due to forex movements; and BHL's additional investment in bonds and other securities (refer to discussion of key transactions related to this in the next paragraph); partially offset by ACEHI's use of cash deposit to fund investment in an associate.

As of June 30, 2017, the following were key transaction as regards the Group's Investment in Bonds and Other Securities: (a) disposal of investment in Red River Holdings (Red River), investment funds based in Vietnam, last February 2017 which resulted in gain of US$ 3.6 million; (b) conversion of Ho Chi Minh Infrastructure Investment Joint Stock Co. (CII) bonds into shares at a ratio of 1:90.9, with the closing share price of VND37,250 per share. This conversion resulted in gain of US$4.8 million representing the increase in value of related investment in CII shares; (c) gain on the realization of the valuation reserve recorded on the investment in shares of CII amounting to US$4.9 million.

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 decreased from ₱101,049 million as of December 31, 2016 (audited) to ₱100,748 million as of June 30, 2017 (unaudited) arising from ALI's deductions/transfers within 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 economic ownership as of June 30, 2017 are as follows:

	% of Economic Ownership		Carrying Amounts (in million pesos)	
	June 2017 (Unaudited)	December 2016 (Audited)	**June 2017 (Unaudited)**	December 2016 (Audited)
Domestic:				
Bank of the Philippine Islands (BPI)	**32.5**	32.5	₱ **75,210**	₱ 72,532
Liontide Holdings Inc. (LHI)*	**78.1**	73.8	**40,750**	39,418
Globe Telecom, Inc. (Globe)*	**31.0**	31.0	**20,819**	20,143
GNPower Mariveles Coal Plant Ltd. Co (GNPower)	**17.1**	17.1	**9,263**	8,790
OCLP Holdings, Inc. (OHI)	**21.0**	21.0	**7,562**	7,321
Emerging City Holdings, Inc. (ECHI)*	**50.0**	50.0	**4,128**	4,159
South Luzon Thermal Energy Corp. (SLTEC)*	**35.0**	35.0	**2,812**	2,785
Berkshire Holdings, Inc. (BHI)*	**50.0**	50.0	**2,001**	1,834
Light Rail Manila Holdings, Inc. (LRMHI)	**50.0**	50.0	**1,725**	1,647
Cebu District Property Enterprise, Inc. (CDPEI)*	**42.0**	42.0	**1,481**	1,487
Bonifacio Land Corporation (BLC)	**10.0**	10.0	**1,440**	1,370
Asiacom Philippines, Inc. (Asiacom)*	**60.0**	60.0	**1,260**	1,253
GNPower Dinginin Ltd. Co. (GNP Dinginin)	**50.0**	50.0	**1,106**	1,158
Philippine Wind Holdings Corporation (PWHC)*	**42.9**	42.9	**953**	993
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49.0**	49.0	**767**	624
Alveo Federal Land Community*	**50.0**	50.0	**624**	605
Generika Group *	**50.0**	50.0	**483**	443
Foreign:				
Star Energy Salak-Darajat B.V.	**19.8**	-	**8,662**	-
Modular Construction Technology Bhd. (MCT) (incorporated in Malaysia)	**33.0**	33.0	**6,497**	6,400
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	**49.0**	49.0	**2,709**	2,586
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	**47.4**	47.4	**2,521**	2,417
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	**38.0**	31.5	**1,090**	852
UPC Renewables Asia III Ltd (incorporated in Hong Kong)	**51.0**	-	**1,057**	-
Tianjin Eco-City Ayala Land Development Co., Ltd. (incorporated in China)	**40.0**	40.0	**397**	342
Cu Chi Water	**24.5**	24.5	**350**	344
Others	**Various**	Various	**908**	811
			₱ **196,575**	₱ 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.

As of June 30, 2017, the Group has reversed impairment provisions amounting to ₱586.0 million for certain investments as there was improvement in values.

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

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

	June 2017 (Unaudited)	December 2016 (Audited)
Total Resources	**1,715,988**	1,725,696
Total Liabilities	**1,539,776**	1,558,012
Capital Funds Attributable to the Equity Holders of BPI	**173,482**	165,134
Capital Funds Attributable to the Noncontrolling Interest	**2,730**	2,550
Total Liabilities and Capital Funds	**1,715,988**	1,725,696

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

	June 2017 (Unaudited)	June 2016 (Unaudited)
Interest income	**32,012**	28,562
Other Income	**11,824**	14,497
Total revenues	**43,836**	43,059
Operating expenses	**18,252**	17,309
Interest expense	**8,497**	7,858
Impairment losses	**2,461**	3,103
Provision for income tax	**2,779**	1,996
Total Expenses	**31,989**	30,266
Net income for the period	**11,847**	12,793
Attributable to:		
Equity holders of BPI	**11,692**	12,670
Noncontrolling interest	**155**	123
	11,847	12,793
EPS	**2.97**	3.22

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.

On June 21, 2017, the Board declared a regular cash dividend of ₱0.90 per share on the total outstanding common shares of the capital stock of BPI, payable to all common stockholders of record as of July 6, 2017 and payable/distributable on July 27, 2017. Total dividends declared and paid amounted to ₱3.5 billion.

c) The effective voting rights held by the Group in BPI as of June 30, 2017 and December 31, 2016 is equal to 49.5% and 49.7%, respectively.

d) The Company’s share in the net identifiable assets of BPI as of June 30, 2017 (unaudited) amounted to ₱57,299 million. Dividends received from BPI for the period ended June 30, 2017 (unaudited) amounted to ₱1,153 million. The fair market value of the Company’s investment in BPI as of June 30, 2017 (unaudited) amounted to ₱133,221 million.

LHI

a) In January 2017, the 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 (₱4.6 billion) worth of BPI shares. The cross at the PSE 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 June 30, 2017, the Company's direct ownership in LHI is equal to 78.1%, while LHI's direct ownership in BPI is equal to 20.1%. The fair value of BPI shares held by LHI amounted to ₱82,368 million as of June 30, 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.

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

	June 2017 (Unaudited)	December 2016 (Audited)
Current Assets	**51,289**	53,023
Noncurrent Assets	**212,659**	196,840
Total Assets	**263,948**	249,863
Current Liabilities	**79,546**	82,402
Noncurrent Liabilities	**119,158**	103,985
Equity Attributable to Equity Holders of the Parent	**65,219**	63,440
Equity Attributable to Noncontrolling Interest	**25**	36
Total Liabilities and Equity	**263,948**	249,863

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

	June 2017 (Unaudited)	June 2016 (Unaudited)
Net Operating Revenues	**66,547**	63,211
Other Income	**378**	476
Total Revenues	**66,925**	63,687
Costs and Expenses	**55,210**	50,900
Provision for Income Tax	**3,627**	3,813
Total Expenses	**58,837**	54,713
Net Income	**8,088**	8,974
Total net income attributable to:		
Equity holders of the Parent	**8,087**	8,956
Noncontrolling interest	**1**	18
Net Income	**8,088**	8,974
EPS:		
Basic	**58.75**	65.34
Diluted	**58.70**	65.28

Globe

a) On May 30, 2016, Globe Telecom's BOD, 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 the telecommunications business of San Miguel Corporation (SMC), Schutzengel Telecom, Inc. and Grace Patricia W. Vilchez-Custodio (the "Sellers"; SMC being the major seller) through their respective subsidiaries namely, Vega Telecom, Inc. (VTI), Bow Arken Holdings Company, Inc. (BAHCI) and Brightside Holdings Corporation (BHC), respectively (the Acquirees). The preceeding sentence is hereinafter referred to as "the Transaction".

   VTI owns an equity stake in Liberty Telecom Holdings, Inc. (LIB). It also owns, directly and indirectly, equity stakes in various enfranchised companies, including Bell Telecommunication Philippines, Inc. (Bell Tel), Eastern Telecom Philippines, Inc. (Eastern Telecom), Colbalt point Telecommunication, Inc. (formerly Extelcom), and Tori Spectrum Telecom, Inc. (formerly Wi-Tribe), among others. The remaining 50% equity stake in VTI, BAHC and BHC was acquired by Philippine Long Distance Telephone Company (PLDT) under similar definitive agreements.

   Total consideration for the Transaction amounts to ₱52,847.82 million for the purchase of the equity interest and advances of the Acquirees, which translated to an agreed consideration of ₱26,423.91 million for Globe Telecom's 50% equity stakes in the Acquirees. The SPA also provided for the assumption of total liabilities of ₱17,151.18 million 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 Sellers at the end of the confirmatory due diligence period. Total price adjustment amounted to ₱2,564.28 million resulting to adjusted total consideration of ₱55,412.10 million. As of June 30, 2017 and December 31, 2016, the negotiated gross amount of the assumed liabilities was ₱10,741.91 and ₱10,782.50, respectively, which was already finalized with the network suppliers. Globe Telecom's share in the negotiated assumed liabilities amounted to ₱167.62 million and ₱5,391.25 million as of June 30, 2017 and December 31, 2016, respectively. Acquisition-related cost amounting to ₱306.48 million and ₱298.53 million was carried as part of the investment cost also as of June 30, 2017 and December 31, 2016, respectively. The confirmatory due diligence is already finalized as of June 30, 2017. The assumption of liabilities of VTI, BAHC and BHC by Globe Telecom and PLDT may give rise to claims that may not have been contemplated and agreed upon during the period set for confirmatory due diligence. The SPA provides for various indemnity claims expiring between 2 to 5 years from the end of the confirmatory due diligence period.

   The consideration for the equity interest and advances was settled on a deferred basis based on the following schedule: 50% was paid on May 30, 2016, 25% was paid on December 1, 2016 and 25% was paid on May 30, 2017.

   The acquisition provided Globe Telecom an access to certain frequencies assigned to Bell Tel in the 700 Mhz, 900 Mhz, 1800 Mhz, 2300 Mhz and 2500 Mhz bands through a co-use arrangement approved by the NTC on May 27, 2016. NTC's approval is subject to the fulfillment of certain conditions including roll out of telecom infrastructure covering at least 90% of the cities and municipalities in three years to address the growing demand for broadband infrastructure and internet access.

   The memorandum of agreement between Globe and PLDT provides for both parties to pool resources and share in the profits and losses of the companies on a 50%-50% basis with a view to being financially self-sufficient and able to operate or borrow funds without recourse to the parties. Globe has extended advances to Vega group amounting to ₱1,316.08 million for the period June 1, 2016 to December 31, 2016 which was carried as part of investment cost.

   Of the various companies within the group, only Eastern Telecom and its subsidiary have commercial operations generating ₱2,093.60 million, ₱955.70 million and ₱670.50 million in revenues, EBITDA and net income for the year ended December 31, 2016, respectively. Globe Telecom has adjusted its share in the net assets of the Acquirees to reflect losses on fair value of assets and onerous contracts.

   On June 21, 2016, Globe Telecom exercised its rights as holder of 50% equity interest of VTI to cause VTI to propose the conduct of a tender offer on the common shares of LIB held by minority shareholders as well as the voluntary delisting of LIB. At the completion of the tender offer and delisting of LIB, VTI"s ownership on LIB is at 99.1%.

The net assets recognized in the December 31, 2016 consolidated financial statements were based on a provisional assessment of their fair values. In June 2017, the assessment was completed. The management performed a review of VTI Group's identifiable intangible assets and property and equipment appraisal increase and has identified certain adjustments amounting to ₱1,651.44 million increases on frequency, ₱41.05 million decreases on trademark, ₱363.40 million decreases on customer contracts and ₱110.08 million increase on PPE appraisal. Adjustments related to tax of ₱407.12 million increases were made as well after such review. As a result, there was an increase in total identifiable net assets of VTI amounting to ₱1,552.84 million resulting to ₱18,012.26 million of total goodwill arising on the acquisition.

On February 28, 2017, Globe and PLDT each subscribed to 2,760,000 new preferred shares to be issued out of the unissued portion of the existing authorized capital stock of VTI, at a subscription price of ₱4,000 per subscribed shares (inclusive of a premium over par of ₱3,000 per subscribed share) or a total subscription price of ₱11,040 million (inclusive of a premium over par of ₱8,280 million). Globe and PLDT's assigned advances from SMC which were subsequently reclassified to deposit for future subscription of each amounting to ₱11,040 million were applied as full subscription payment for the subscribed shares.

Also, on the same date, Globe and PLDT each subscribed to 800,000 new preferred shares to be issued out of the unissued portion of the existing authorized capital stock of VTI, at a subscription price of ₱4,000 per subscribed share (inclusive of a premium over par of ₱3,000 per subscribed share), or a total subscription price of ₱3,200 million (inclusive of a premium over par of ₱2,400 million). Globe and PLDT each paid ₱148 million in cash for the subscribed shares. The remaining balance of the subscription price shall be paid by Globe and PLDT upon call of the VTI Board of Directors.

As of June 30, 2017 and December 31, 2016, the carrying value of the investment amounted to ₱32,706.95 million and ₱32,706.36 million, respectively. The share in total comprehensive loss from this investment amounted to ₱191.08 million for the six-month period ended June 30, 2017.

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 June 30, 2017.

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 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.

e) The effective voting rights held by the Group in Globe as of June 30, 2017 and December 31, 2016 is equal to 46.7% and 46.8%, respectively.

f) The Company's share in the net identifiable assets of Globe as of June 30, 2017 (unaudited) amounted to ₱20,203 million. Dividends received from Globe for the period ended June 30, 2017 (unaudited) amounted to ₱1,873 million. The fair value of the Company's investment in Globe as of June 30, 2017 (unaudited) amounted to ₱84,290 million.

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

	June 2017 (Unaudited)	December 2016 (Audited)
Intangible assets	**14,361,323**	9,716,403
Deferred tax assets - net	**12,158,183**	12,414,647

Increase in Intangible assets was attributable to ACEHI's goodwill arising from investment acquisitions in clean energy and sun power companies (see Note 3, ACEHI Group portion) plus IMI's goodwill on acquisition of STI (see Note 3, IMI Group portion) and capitalization of project development costs.

12. **Investment Properties and Property, Plant and Equipment** (in thousand pesos):

	June 2017 (Unaudited)	December 2016 (Audited)
Investment Properties	**120,067,631**	110,916,644
Property, plant and equipment - net	**75,435,223**	64,074,471

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, ₱15,462 million and ₱15,874 million as of June 30, 2017 (unaudited) and December 31, 2016 (audited), respectively; Investment in Building, ₱71,792 million and ₱62,229 million as of June 30, 2017 (unaudited) and December 31, 2016 (audited), respectively; and Construction-in-Progress, ₱32,814 million as of June 30, 2017 (unaudited) and December 31, 2016 (audited), net of accumulated depreciation and amortization and impairment loss. Increase in investment properties was attributable to ALI Group's expansion projects mainly on malls and office properties. Increase in property, plant and equipment pertains to ACEHI's construction of power plants for GNP Kauswagan's coal investment; ALI's capex significantly for its hotels and resorts operations; and IMI's plant expansion mainly in Europe as well as the impact of consolidation of new subsidiaries.

13. **Service Concession Assets**

The Company has a concession agreement with the DPWH while the MWC Group has concession agreements with MWSS, Provincial Government of Laguna, TIEZA and Clark Development Corporation. These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period.

MWC Group
In March 2012, MWC submitted to Metropolitan Waterworks and Sewerage System (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 which 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 December 10, 2013, the MWSS BOT, through MWSS-RO Resolution No. 13-012 CA, approved the implementation of a status quo for MWC's Standard Rates including FCDA until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.
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% Appropriate Discount Rate (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.

The MWSS BOT 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 2017, 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
April 22, 2017	₱0.02 per cubic meter	USD1: ₱44.41 / JPY1: ₱0.37

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.

Arbitration of MWC's Claim against the Republic

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.

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.

The Arbitral Tribunal is expected to issue the first procedural order which will outline, among others, the procedural rules and the timetable that will govern the conduct of the proceedings. Until the issuance of the first procedural order, there is no incident pending or awaiting action by the parties and/or by the Arbitral Tribunal.

The arbitration is currently proceeding in accordance with the applicable rules.

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

	June 2017 (Unaudited)	December 2016 (Audited)
Accounts payable	**100,639,166**	90,791,680
Accrued expenses		
Project costs	**14,466,000**	16,721,212
Personnel costs	**8,549,629**	8,056,866
Rental and utilities	**4,456,344**	3,423,595
Repairs and maintenance	**1,760,319**	2,122,203
Advertising and promotions	**1,470,621**	1,581,847
Professional and management fees	**1,174,320**	3,395,027
Various operating expenses	**3,992,593**	1,319,177
Taxes payable	**19,772,563**	16,841,094
Liability for purchased land	**3,400,000**	6,257,097
Retentions payable	**3,305,245**	4,306,272
Dividends payable	**3,217,717**	3,503,405
Interest payable	**2,480,067**	2,615,731
Related parties (Note 21)	**1,859,353**	3,441,971
DRP Obligation	**223,000**	223,401
	170,766,937	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. Increase in this account includes, among others, higher representation and insurance 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 IMI's higher sales and consolidation of new subsidiaries, ALI's expansion projects, MWCI's acceleration of projects and accrual of expenses, ACEHI's project costs, and Automotive's purchase of inventories. 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.

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

	June 2017 (Unaudited)	December 2016 (Audited)
Other current liabilities	**13,680,429**	17,522,984
Other noncurrent liabilities	**44,220,515**	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 and IMI's consolidation of new subsidiaries.

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

	June 2017 (Unaudited)	December 2016 (Audited)
Short-term debt - Subsidiaries:		
Philippine peso with various interest rates	**15,854,400**	28,137,450
Foreign currency with various interest rates	**6,051,559**	2,720,687
	21,905,959	30,858,137
Long-term debt:		
The Parent Company:		
Bank loans with various interest rates	**10,824,010**	10,835,726
Bonds	**39,700,774**	39,780,649
	50,524,784	50,616,375
Subsidiaries:		
Loans from banks & other institutions:		
Foreign currency with various interest rates	**55,867,437**	47,693,785
Philippine Peso with various interest rates	**66,075,819**	54,689,899
Bonds	**82,348,727**	75,419,046
Exchangeable bonds	**14,564,017**	14,198,775
Fixed Rate Corporate Notes (FXCNs)	**22,404,312**	22,377,934
	241,260,312	214,379,439
	291,785,096	264,995,814
Less current portion	**11,139,697**	19,792,669
Non-current portion	**280,645,399**	245,203,145

As of June 30, 2017 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱43.3 billion which consists mainly of proceeds from bonds and loans of ALI (₱17.9 billion), AC parent (₱10.0 billion), ACEHI (₱7.1 billion), MWC (₱4.6 billion), IMI (₱3.0 billion), and AC Industrial (₱0.5 billion), while payments of short-term and long-term debt amounted to ₱27.6 billion which pertains to loan payment of ALI (₱15.3 billion), MWC (₱1.2 billion), IMI (₱0.8 billion), and ACEHI (₱0.3 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱26.0 billion and ₱33.4 billion as of June 30, 2017 (unaudited) and December 31, 2016 (audited), respectively (see Note 21 Related Party Transaction). Interest expense incurred from these debts for the period ending June 30, 2017 and 2016 (both unaudited) amounted to ₱172.2 million and ₱116.7 million, respectively (see Note 21 Related Party Transaction).

Loans availed during June 2017 have varying interest rates and maturity dates. Proceeds of loans were used for operating requirements, capital expenditures and certain investment acquisitions (see Note 3 – ACEHI, ALI and IMI Groups).

The loan availments for the year include, among others, the following:

AC Parent
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 in 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 in April 2017.

ALI Group
In March 2017, ALI executed a ₱10.0 billion long-term facility and had an initial drawdown of ₱5.0 billion. The loan has a fixed interest rate of 4.949% for 10 years inclusive of Gross Receipt Tax (GRT). The balance of ₱5.0 billion was drawn in April 2017.

In May 2017, ALI issued a total of ₱7.0 billion bonds due 2027 at a fixed rate equivalent to 5.2624% p.a. The Bonds have been rated PRS Aaa by PhilRatings, which is considered the highest quality with minimal credit risk. The bond issue is the fourth tranche of the Fixed Rate Bond series registered under ALI's ₱50 Billion Debt Securities Program as approved by the SEC in March 2016.

IMI Group
On June 1, 2017, IMI CZ obtained a term loan facility from Citibank amounting to €1.50 million that was used to investment financing. The principal shall be paid in 60 regular monthly installments and bears interest of 3-month EURIBOR plus 0.90% but is not to exceed 15% per annum.

As of June 30, 2017 and December 31, 2016, IMI Group has short-term loans aggregating to US$114.9 million (₱5,801.0 million) and US$51.3 million (₱2,557.8 million), respectively. These short-term loans have maturities ranging from 30-180 days and bear fixed interest rates ranging from 1.67% to 2.15% in June 2017 and 1.23% to 3.16% in December 2016.

<u>STI</u>
VIA has a long-term debt from Lloyds Bank Plc amounting to US$0.26 million. The debt bears annual interest of 3.10% and matures on August 31, 2018.

MWC Group
On May 25, 2017, Boracay Water, made second drawdown in the amount of ₱250.0 million from the Third Omnibus Loan and Security Agreement with Security Bank Corp (SBC). The loan will be used to fund the capital expenditures which in turn will be used to provide water and sewerage services in the concession area of Boracay Water.

On April 3, 2017, and July 26, 2017, MWC made its second, and third drawdowns amounting to JP¥7.00 billion, and JP¥19.60 billion, respectively, from its 7-year JP¥40.00 billion term loan facility, payable semi-annually, with three (3) international banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation. The proceeds of the loan will be used to finance the MWC's parent company's capital expenditures.

Lugana Water made drawdown in three tranches from its loan agreement with SBC: the first in March 2017 amounting to ₱100.0 million bearing an effective interest rate of 6.21%; and the second and third both in April 2017 amounting to ₱50.0 million and ₱350.0 million bearing an effective interest rate of 6.37% and 6.40%, respectively. The loan will be used to finance the modernization and expansion of its water network system and water supply facilities throughout the province of Laguna. Under the loan agreement, the lender agreed to provide a loan to the borrower in the aggregate principal amount of up to ₱2.50 billion for an applicable fixed interest rate, as determined in respect of each drawdown.

On February 24, 2017, MWPVI had a short-term bridge loan drawdown amounting ₱300.0 million from a 15-year fixed rate term loan facility amounting to ₱4.0 billion with SBC and Metropolitan Bank and Trust Company. The terms of the loan include an option to increase the size of the facility to a maximum of ₱7.0 billion. The proceeds of the loan will be used to finance the MWPVI's capital expenditures, future acquisitions and other general corporate requirements.

ACEHI Group
On February 23, 2017, ACEHI fully drawn 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 of 6.0% per annum to finance investments in power, power-related projects and general corporate needs.

On April 27, 2017, ACEHI drewdown ₱250.0 million from its 7-year term loan facility with Philippine National Bank aggregating to ₱7.0 billion at a fixed rate of 5.75% per annum for all drawdowns until May 5, 2017. Beyond this date, the relevant PDST-R2 benchmark rate will apply +1% per annum spread, with a floor of 5.25% per annum.

On June 22, 2017, ACEHI drewdown ₱100.0 million from its 7-year term loan facility with Security Bank Corporation aggregating to ₱5.0 billion at a fixed rate of 5.75% per annum for all drawdowns from June 2017 to June 2018. Beyond this date, the relevant Peso Benchmark Rate PDST-R2 rate plus Credit Spread. The fixed interest shall have a floor of 5.00%. The Peso Benchmark rate shall be equal to the 3-day Business Day moving average of the applicable Treasury securities, i.e. 7 years as indicated by interpolating 5 year and 10 year PDST-R2 displayed on the PDEX page of Bloomberg.

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 June 30, 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 following summarizes the Company's parent level outstanding bonds payable.

Year Issued	Term	Interest Rate	Principal Amount (in thousand pesos)	Carrying Value (in thousand pesos) June 2017 (Unaudited)	December 2016 (Audited)	Features
2010	7 years	7.200%	10,000,000	**-**	9,994,372	Puttable on the 20th coupon payment date
2011	10 years	6.800%	10,000,000	**9,954,119**	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	**9,936,550**	9,933,361	Callable from the 10th anniversary issue until every year thereafter until the 14th anniversary issue date
2016	7 years	3.920%	10,000,000	**9,908,796**	9,903,942	Callable from the 5.5th anniversary of the issue date
2017	8 years	4.820%	10,000,000	**9,901,309**	-	Callable from the 6.5th anniversary of the issue date
			50,000,000	**39,700,774**	39,780,649	

On July 7, 2016, Ayala Corporation issued ₱10.0 billion 3.920% fixed-rate bonds due 2023. The issuance is the first tranche of the Company's ₱20.0 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.

On April 30, 2017, its maturity date, the Company fully redeemed its ₱10.0 billion, 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 June 30, 2017 (unaudited) and December 31, 2016 (audited), the unamortized discount of the Bonds amounted to ₱577.0 million and ₱717.2 million, respectively. Interest expense recognized in the statement of income amounted to ₱187.0 million and ₱171.5 million for the period ended June 30, 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	**-**	**-**	**-**	**69,752**	**(19,733)**	**901,506**	**(599,943)**	**351,582**
At June 30, 2017 (Unaudited)	**1,200,000**	**5,800,000**	**200,000**	**30,882,615**	**178,634**	**37,829,832**	**(1,359,739)**	**74,731,342**
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

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.

On May 9, 2017, additional shares were subscribed under the Employee Stock Ownership Plan of ALI totaling 1,840,371 common shares which will bring the total number of common shares of ALI to 14,714,522,959.

The reconciliation of Retained Earnings available for dividend declaration shows the following as of June 30, 2017 and December 31, 2016 (in thousand pesos):

	June 2017 (Unaudited)	2016 (Audited)
Consolidated retained earnings balance	**₱158,532,253**	₱145,622311
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	**(123,930,248)**	(112,620,058)
Deferred tax	**–**	(184,218)
Treasury shares balance	**(2,300,000)**	(2,300,000)
Retained earnings available for dividends	**₱32,302,005**	₱30,518,035

Dividends consist of the following:

(in thousand pesos except dividends per share)	**June 2017 (Unaudited)**	December 2016 (Audited)
Dividends to common shares:		
Cash dividends declared during the year	**2,149,438**	3,572,400
Cash dividends per share	**3.46**	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 June 22, 2017, the Board of Directors, at its regular meeting, approved the declaration of regular dividend of ₱3.46 per common share. The record date is July 7, 2017, and payment date is July 22, 2017. This cash dividend is for the first semester ended June 30, 2017.

18. Earnings Per Share

The following table presents information necessary to calculate earnings per share (EPS):

	June 2017 (Unaudited)	June 2016 (Unaudited)
(In Thousand Pesos)		
Net Income	**15,059,380**	13,772,428
Less: Dividends on Preferred Shares	**(646,202)**	(642,563)
	14,413,178	13,129,865
Less: Dilutive effect of Options issued by subsidiaries, associates and joint ventures	**(198,308)**	(123,146)
	14,214,870	13,006,719
(In Thousand Shares)		
Weighted average number of common shares	**620,796**	619,929
Dilutive shares arising from stock options	**2,236**	2,539
Adjusted weighted average number of common shares for diluted EPS	**623,032**	622,468
(In Pesos)		
Basic EPS	**23.22**	21.18
Dilutive EPS	**22.82**	20.90

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 June 30, 2017 and 2016 (both unaudited) and assets and liabilities as of June 30, 2017 (unaudited) and December 31, 2016 (audited).

June 2017 (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	110	60,583	-	-	8,100	25,064	907	15,892	-	110,656
Intersegment	120	(64)	-	-	344	-	-	380	(780)	-
Share of profit of associates and joint ventures	-	361	5,676	2,433	183	-	632	97	-	9,382
Interest income	194	2,958	-	-	134	12	26	17	4	3,345
Other income	262	688	-	-	4,175	136	333	1,515	(199)	6,910
Total income	686	64,526	5,676	2,433	12,936	25,212	1,898	17,901	(975)	130,293
Operating Expenses	1,395	42,346	-	-	4,988	23,980	969	16,811	(528)	89,961
Operating profit (loss)	(709)	22,180	5,676	2,433	7,948	1,232	929	1,090	(447)	40,332
Interest expense and other financing charges and Other charges	1,279	4,298	-	-	4,209	146	98	90	-	10,120
Provision for (benefit from) income tax	146	4,552	-	-	753	187	(72)	120	(77)	5,609
Net income (loss)	(2,134)	13,330	5,676	2,433	2,986	899	903	880	(370)	24,603
OTHER INFORMATION										
Segment Assets	46,718	503,806	-	-	101,887	40,964	45,282	27,499	(20,412)	745,744
Investments in associates and joint ventures	135,987	25,496	-	-	6,670	-	24,294	4,128	-	196,575
Deferred tax assets	98	10,098	-	-	1,200	77	80	159	446	12,158
Total Assets	182,803	539,400	-	-	109,757	41,041	69,656	31,786	(19,966)	954,477
Segment liabilities	99,304	360,611	-	-	46,017	27,807	37,798	10,544	(27,827)	554,254
Deferred tax liabilities	99	4,443	-	-	4,122	81	185	96	-	9,026
Total Liabilities	99,403	365,054	-	-	50,139	27,888	37,983	10,640	(27,827)	563,280
Segment additions to property, plant and equipment and investment properties	56	16,672	-	-	819	1,396	6,951	274	2,706	28,874
Depreciation & amortization	163	3,166	-	-	1,807	683	127	212	4	6,162
Non-cash expenses other than depreciation & amortization	(586)	19	-	-	22	35	-	1	-	(509)
Cash flows provided by (used in):										
Operating activities	(4,029)	22,280	-	-	1,678	(87)	2,737	(66)	(1,924)	20,589
Investing activities	2,009	(25,273)	-	-	(948)	(2,810)	(15,773)	492	168	(42,135)
Financing activities	(3,238)	241	-	-	1,902	1,851	8,101	674	1,756	11,287

June 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	94	51,382	-	-	8,109	19,251	32	12,040	-	90,908
Intersegment	80	55	-	-	152	-	-	130	(417)	-
Share of profit (loss) of associates and joint ventures	-	267	6,111	2,744	187	-	696	123	-	10,128
Interest income	339	2,760	-	-	137	12	7	28	(1)	3,282
Other income (loss)	219	298	-	-	2,382	(57)	(1)	1,195	-	4,036
Total income	732	54,762	6,111	2,744	10,967	19,206	734	13,516	(418)	108,354
Operating Expenses	1,249	35,770	-	-	4,701	18,252	366	12,719	(464)	72,593
Operating profit (loss)	(517)	18,992	6,111	2,744	6,266	954	368	797	46	35,761
Interest expense and other financing charges	2,046	3,806	-	-	680	76	6	71	-	6,685
Other charges	-	-	-	-	1,825	-	1	284	-	2,110
Provision for (benefit from) income tax	(39)	3,921	-	-	811	148	(113)	111	-	4,839
Net income (loss)	(2,524)	11,265	6,111	2,744	2,950	730	474	331	46	22,127
Depreciation & amortization	164	2,936	-	-	1,834	619	26	176	1	5,756
Non-cash expenses other than depreciation & amortization	-	-	-	-	-	-	1	284	-	285

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 and Nonfinancial Instruments
The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of June 30, 2017 and December 31, 2016 (amounts in thousands):

	June 2017 (Unaudited)		December 2016 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS AT FVPL				
Held for trading	**₱5,657,262**	**₱5,657,262**	₱6,664,015	₱6,664,015
Derivative assets				
Embedded	**295,180**	**295,180**	241,787	241,787
Freestanding	**8,892**	**8,892**	4,100	4,100
Total financial assets at FVPL	**5,961,334**	**5,961,334**	6,909,902	6,909,902
LOANS AND RECEIVABLES				
Accounts and notes receivables				
Trade receivables				
Real estate	**65,042,574**	**66,507,742**	79,286,123	79,618,899
Nontrade receivables				
Receivable from officers and employees	**1,753,009**	**1,742,324**	1,090,801	1,087,369
Investment in bonds classified as loans and receivables			–	–
Concession financial receivable	**1,291,120**	**2,146,660**	1,205,814	2,080,736
Total loans and receivables	**68,086,703**	**70,396,726**	81,582,738	82,787,004
AFS FINANCIAL ASSETS				
Quoted equity investments	**3,068,841**	**3,068,841**	2,579,137	2,579,137
Unquoted equity investments	**2,169,006**	**2,169,006**	1,870,321	1,870,321
Quoted debt investments	**115,157**	**115,157**	115,621	115,621
Total AFS financial assets	**5,353,005**	**5,353,005**	4,565,079	4,565,079
Total financial assets	**₱79,401,042**	**₱81,711,065**	₱93,057,719	₱94,261,985
FINANCIAL LIABILITIES AT FVPL				
Derivative liabilities				
Financial liabilities on put option	**837**	**837**	₱563,541	₱563,541
Embedded	**533**	**533**	3,357	3,357
Freestanding	**619,068**	**619,068**	2,452	2,452
	620,438	**620,438**	569,350	569,350
OTHER FINANCIAL LIABILITIES				
Noncurrent other financial liabilities				
Service concession obligation	**7,620,498**	**8,8566,829**	7,577,381	9,590,173
Other noncurrent liabilities	**31,595,085**	**31,194,364**	19,838,137	20,113,198
Long-term debt	**280,645,399**	**285,804,603**	245,203,145	244,111,869
Total other financial liabilities	**319,860,982**	**325,568,393**	272,618,663	273,815,240
Total financial liabilities	**₱320,481,620**	**₱326,188,831**	₱273,188,013	₱274,384,590

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.

The fair value of the investment in UITF is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

The fair value of other unquoted financial assets at FVPL is determined using Weighted Average Cost of Capital using market comparable. The rate used ranged from 5% to 10% in 2017 and 2016.

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.

Financial liabilities on put options - These pertain to the liabilities of IMI arising from the written put options over the non-controlling interest of VIA. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany. The risk-free rate used range from 0.02% to 0.15%. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

The current equity value of the acquiree is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

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.

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.

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. These also include the contingent consideration related to the acquisition of STI determined based on probability-weighted payout discounted at 12% at the date of acquisition to determine its fair value.

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.

The following table shows the fair value hierarchy of the Group's assets and liabilities as at June 30, 2017 and December 31, 2016 (amounts in thousands):

June 2017 (Unaudited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	**₱–**	**₱475,597**	**₱5,181,665**	**₱5,657,262**
Derivative assets				
Embedded	–	–	**295,180**	**295,180**
Freestanding	**3,079**	–	**5,813**	**8,892**
AFS financial assets				
Quoted equity investments	**3,068,841**	–	–	**3,068,841**
Unquoted equity investments	–	**925,756**	**1,243,250**	**2,169,006**
Quoted debt investments	–	–	**115,157**	**115,157**
	₱3,071,920	**₱1,401,353**	**₱6,841,065**	**₱11,314,338**
Recurring financial assets for which fair values are disclosed:				
Loans and receivables	**₱–**	**₱–**	**₱68,250,066**	**₱68,250,066**
Concession financial receivable	–	–	**2,146,660**	**2,146,660**
	₱–	**₱**	**₱70,396,726**	**₱70,396,726**
Recurring financial liabilities measured at fair value				
Derivative liabilities				
Financial liabilities on put option	**₱–**	**₱–**	**₱619,068**	**₱619,068**
Embedded	–	–	**837**	**837**
Freestanding	**533**	–	**–**	**533**
	₱533	**₱–**	**₱619,905**	**₱620,438**
Recurring financial liabilities for which fair values are disclosed:				
Noncurrent other financial liabilities				
Service concession obligation	**₱–**	**₱–**	**₱8,569,427**	**₱8,569,427**
Other noncurrent liabilities	–	–	**31,194,364**	**31,194,364**
Long-term debt	–	–	**285,804,603**	**285,804,603**
	₱–	**₱–**	**₱325,568,393**	**₱325,568,393**
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	**₱209,667,937**	**₱–**	**₱–**	**₱209,667,937**
Investment properties	–	–	**295,508,639**	**295,508,639**
	₱209,667,937	**₱–**	**₱295,508,639**	**₱505,176,576**

**Fair value of investments in listed associates and joint ventures for which there are published price quotations*

December 2016 (audited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	₱–	₱1,736,759	₱4,927,256	₱6,664,015
Derivative assets				
Embedded	–	–	241,787	241,787
Freestanding	3,335	–	765	4,100
AFS financial assets				
Quoted equity investments	2,579,137	–	–	2,579,137
Unquoted equity investments	–	638,334	1,231,987	1,870,321
Quoted debt investments	–	–	115,621	115,621
	₱2,582,472	₱ 2,375,093	₱6,517,416	₱11,474,981
Recurring financial assets for which fair values are disclosed:				
Loans and receivables	₱–	₱–	₱80,706,268	₱80,706,268
Concession financial receivable	–	–	2,080,736	2,080,736
	₱–	₱–	₱82,787,004	₱82,787,004
Recurring financial liabilities measured at fair value				
Derivative liabilities				
Financial liabilities on put option	₱–	₱–	₱563,541	₱563,541
Embedded	–	–	3,357	3,357
Freestanding	525	–	1,927	2,452
	₱525	₱–	₱ 568,825	₱569,350
Recurring financial liabilities for which fair values are disclosed:				
Noncurrent other financial liabilities				
Service concession obligation	₱–	₱–	₱9,590,173	₱9,590,173
Other noncurrent liabilities	–	–	20,113,198	20,113,198
Long-term debt	–	–	244,111,869	244,111,869
	₱–	₱–	₱273,815,240	₱273,815,240
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	₱168,647,494	₱–	₱–	₱168,647,494
Investment properties	–	–	295,508,639	295,508,639
	₱168,647,494	₱–	₱295,508,639	₱464,156,133

**Fair value of investments in listed associates and joint ventures for which there are published price quotations*

There was no change in the valuation techniques used by the Group in determining the fair market value of the assets and liabilities.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial liabilities categorized as Level 3:

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial assets at FVPL	Market comparable	Weighted average cost of capital (WACC)	5% to 10%	5% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$4,287,100 / (US$4,287,100)
				10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$8,574,200 / (US$8,574,200)
Unquoted equity investments	Market comparable	WACC	5% to 10%	5% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$ 40,350 / (US$140,350)
				10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$280,700 / (US$280,700)
Quoted debt investments	Binomial tree method	Dividend yield	10% to 15%	10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$504,408 / (US$504,408)
				15% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$756,612 / (US$756,612)
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	1%-3% (2%)	1% increase in growth rate would result in an increase in fair value by $0.91 million. Decrease in growth rate by 1%

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
				would result in a fair value decrease of $0.65 million.
		Discount rate	10%-13% (12%)	1% increase in discount rate would result in a decrease in fair value by $0.78 million. Decrease in discount rate by 1% would result in a fair value increase of $1.44 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $2.31 million. Decrease in the probability to 1% would result in a decrease in fair value by $5.60 million.
Other noncurrent liabilities (contingent consideration)	Discounted, probability-weighted payout	Discount rate	10%-13% (12%)	1% increase in discount rate would result in a decrease in fair value by $0.47 million. Decrease in discount rate by 1% would result in a fair value increase of $0.48 million.
		Probability of pay-out	GBP0 to GBP34.1 million ($0 to $44.11 million)	GBP0 to GBP28.2 million ($0 to $32.47 million)

ALI Group categorizes trade receivable, investment in bonds classified as loans and receivables, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

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 June 30, 2017, there were no transfers made by the Group.

A reconciliation of the beginning and closing balances of Level 3 financial assets at FVPL as of June 30, 2017 and December 31, 2016 are summarized below:

	June 2017 (Unaudited)	December 2016 (Audited)
Beginning	**₱4,927,256**	₱4,784,228
Additions	**596,462**	685,824
Disposals/redemptions	**(494,894)**	(846,328)
Recognized in statement of income	**152,840**	303,532
Ending	**₱5,181,665**	₱4,927,256

Derivatives

	June 2017 (Unaudited)	December 2016 (Audited)
Derivative Assets		
Conversion option of BHL	**₱134,628**	₱135,170
Prepayment option of ACEHI	**160,551**	106,617
Currency forward of IMI	**3,079**	3,335
Currency forward of AIVPL	**5,760**	765
Currency forward of AC	**54**	–
	304,072	₱245,887
Derivative Liabilities		
Financial liabilities on put options of IMI	**₱619,601**	₱563,541
Conversion option of AIVPL	**837**	3,357
Currency forwards of IMI	**–**	2,452
	₱620,438	₱569,350

Fair Value Changes on Derivatives
The net movements in fair values of the Group's derivative instruments as of June 30, 2017 and December 31, 2016 follow (amounts in thousands):

Derivative Assets

	June 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of year	**₱245,887**	₱241,263
Balance upon bifurcation		–
Fair value of currency forwards	**4,995**	5,777
Fair value of convertible bonds		–
Net changes in fair value of derivatives	**57,784**	76,527
	308,665	323,567
Fair value of settled instruments	**(849)**	(77,680)
Balance at end of year	**₱307,815**	₱245,887

Derivative Liabilities

	June 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of year	**₱569,350**	₱3,771
Fair value of currency forwards	**10,240**	12,580
Fair value of put options	**619,065**	563,541
Net changes in fair value of derivatives	**(1,095)**	112
	1,196,751	580,004
Fair value of settled instruments	**(12,114)**	(10,654)
Balance at end of year	**₱1,184,637**	₱569,350

No other financial assets or liabilities are carried at fair value as of June 30, 2017 and December 31, 2016.

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.

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 June 30, 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)	(120,640)	(6,088,704)	1.00	(120,640)
			(1.00)	120,640
Japanese Yen (JPY)	(21,152,704)	(9,518,847)	1.00	(21,152,704)
			(1.00)	21,152,704
Chinese RMB (RMB)	189,212	1,409,650	1.00	189,212
			(1.00)	(189,212)
Euro (EUR)	16,605	956,612	1.00	16,605
			(1.00)	(16,605)
Vietnam Dong (VND)	63,025,618	139,873	1.00	63,025,618
			(1.00)	(63,025,618)

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 interim condensed 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 ₱24,512 million and ₱24,385 million, as of June 30, 2017 (unaudited) and December 31, 2016 (audited), respectively. The Other Current Assets account as of June 30, 2017 (unaudited) and December 31, 2016 (audited) includes ₱3,047 million and ₱978 million Financial Assets at FVPL of ALI with BPI, respectively. The Group also has short-term and long-term debt payable to BPI amounting to ₱25,952 million and ₱33,382 million as of June 30, 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 ₱2,101 million and ₱2,340 million receivables from related parties as of June 30, 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 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 ₱1,753 million and ₱1,091 million receivables from officers and employees as of June 30, 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 ₱1,859 million and ₱3,442 million as of June 30, 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 14 Accounts Payable and Accrued Expenses).

Income and Expenses
The Group realized total income of ₱329 million and ₱446 million from related parties and incurred total expenses of ₱311 million and ₱191 million for the periods ended June 30, 2017 and 2016, respectively (both unaudited). These 2017 amounts represent 0.25% and 0.31% 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).

22. Events after the Reporting Period

ALI

a) On July 17, 2017, ALI issued and listed on the PDEx Short Dated Notes amounting to ₱4.3 billion due in 2019 carrying a fixed coupon of 2.75% to be distributed to Qualified Institutional Buyers.

b) On February 24, 2016, ALI purchased 2.5 billion common shares or 51% interest in POPI for a total consideration ₱5,625.0 million. On July 4, 2016, ALI obtained control over POPI. Accordingly, POPI financial statements were consolidated on a line-by-line basis with that of the Group as of December 31, 2016. The purchase price allocation has been prepared on a preliminary basis as the fair values of leasehold rights, investment property and property, plant and equipment are being finalized. In July 2017, ALI finalized the purchase price allocation and there were changes to fair market value of the assets acquired and liabilities assumed.

ACEHI

a) On July 24, 2017, ACEHI together with Star Energy Geothermal Holdings Pte. Ltd., entered into definitive agreements for the transfer of 99% of their consortium interests in ACEHI-STAR Holdings, Inc. (ACEHI-STAR) to AllFirst Equity Hodings, Inc. (AllFirst).

   ACEHI-STAR is the special purpose company that signed a share sale and purchase agreement with Chevron in December 2016, to acquire Chevron's Philippine geothermal assets subject to the satisfaction of certain conditions precedent, including approval of the Philippine Competition Commission.

   AllFirst is Chevron's current partner, and directly holds a 60% ownership interest in Philippine Geothermal Production Company.

b) On July 24, 2017, AC Energy International Holdings Pte. Ltd. (AC Energy International), a subsidiary of ACEHI, has entered into a development funding arrangement with UPC Renewables Asia Pacific Holdings Ltd. And UPC Renewables Asia Limited (collectively UPC Renewables) for the development of small island power projects in Indonesia. Under the terms of agreement, AC Energy International agreed to provide funding for the development of power generation projects with sub-50MW capacities. ACEHI will also have accompanying rights to participate in further construction funding of other Indonesian renewable energy projects.

AC Industrial

a) On July 5, 2017, AC Industrial, through its wholly-owned subsidiary AC Industrial (Singapore) Pte. Ltd., closed and completed the acquisition and assumed full control over the operations of MT Misslbeck Technologies Gmbh, which was also subsequently renamed to MT Technologies Gmbh (see Note 3). The net assets recognized in the books of AC Industrials were based on a provisional amounts while the Group's management sought to obtain new information about facts and circumstances that existed as of the acquisition date.

Globe

a) On August 7, 2017, the BOD of Globe approved the declaration of the third quarterly cash dividend of ₱22.75 per common share, payable to common stockholders of record as of August 22, 2017. Total dividends amounting to ₱3.0 billion will be payable on September 6, 2017.

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

Ayala Corporation's net income expanded nine percent in the first half of the year to ₱15.1 billion year-on-year, primarily driven by the solid contributions of its real estate and power generation businesses.

Consolidated Sale of Goods and Services

Sales of goods and services climbed to ₱110.7 billion, a 22 percent increase on the back of sustained growth in land sales and in all segments of housing, residential, and condominiums of Ayala Land, and stronger sales of IMI and AC Industrials' vehicle retail business, as well as the impact of IMI's and AC Energy's consolidation of new subsidiaries. This account comprised 85 percent of Ayala's total income in the second quarter.

Real Estate

Ayala Land sustained its growth trajectory in the first semester, recording ₱11.5 billion in net income, an 18 percent-jump from a year ago on the continued expansion of its property development and commercial leasing businesses.

Revenues from Ayala Land's property development business rose 32 percent to ₱44.3 billion, mainly driven by strong performance across its residential, office for sale, and commercial and industrial lots sales segments. Residential revenues jumped 27 percent to ₱36.8 billion on new bookings and project completions across all residential brands. Reservation sales expanded 11 percent year-on-year to ₱61.4 billion. In the second quarter alone, reservation sales reached a record ₱34.1 billion, up 12 percent from its year-ago level. Meanwhile, booked sales soared 22 percent from a year ago to ₱40.5 billion. In the first semester, Ayala Land launched ₱31.9 billion worth of residential and office for sale projects.

In the office for sale segment, revenues expanded 36 percent to ₱4.2 billion driven by bookings from the High Street South Corporation Plaza 2 project. Revenues from commercial and industrial lot sales surged more than twofold to ₱3.3 billion backed by lot sales in Arca South, Vermosa, and Naic.

In commercial leasing, mall leasing revenues rose 12 percent from its year-ago level to ₱7.9 billion lifted by the contributions of new malls including The 30th, Tutuban Center, and UP Town Center. Revenues from office leasing climbed to ₱2.9 billion, 14 percent higher year-on-year buoyed by contributions of newly opened offices such as the UP Town Center, UP Technohub Building P, and the Ayala Center Cebu Corporate Center. Moreover, hotels and resorts revenues improved six percent to ₱3.4 billion on higher occupancy and average room rates at El Nido Resorts. In addition, Ayala Land's property management revenues grew 12 percent to ₱816 million driven by an increase in managed properties and higher carpark volume. Altogether, Ayala Land's recurring income business contributed 36 percent of its net income in the first half of the year.

Water

The steady performance of its Manila Concession coupled with increasing contributions from its domestic subsidiaries drove the three percent increase in Manila Water's net income to ₱3.2 billion in the first half of the year. Revenues rose four percent to ₱9.1 billion buoyed by the continued expansion of its businesses outside Metro Manila.

Manila Water's domestic business, Manila Water Philippine Ventures, recorded an attributable net income of ₱306 million, up 20 percent from a year ago, on strong contributions from Laguna Water and Estate Water. Laguna Water's net income rose 49 percent to ₱148 million, lifted by the expansion of coverage in Laguna province. Meanwhile, Estate Water's net earnings jumped 69 percent to ₱122 million, backed by increased connections and billed volume growth. Net income from Manila Water's non-Manila concession businesses reached ₱584 million, representing 18 percent of Manila Water's consolidated net income from 15 percent during the previous year.

The Manila Concession booked a three percent increase in net income to ₱3 billion driven by a one percent-improvement in billed volume resulting from sustained demand of commercial customers. Operational efficiency in the Manila Concession remained strong, with non-revenue water ratio at 12.8 percent and collection efficiency at 99 percent.

On a consolidated basis, Manila Water's billed volume rose three percent to 366.9 million cubic meters in the first half of the year.

In June, Manila Water acquired additional shares of Saigon Water Infrastructure Corporation ("SII"), bringing its total ownership of the company to 37.99 percent. The transaction is in line with Manila Water's investment strategy in Vietnam and in Asia.

Industrial Technologies

AC Industrials registered a net income of ₱739 million in the first half of the year, three percent lower from the previous year, as the lower contributions of its vehicle retail business tempered the gains from the robust performance of its electronics manufacturing arm.

Its electronics manufacturing unit, Integrated Micro-Electronics, Inc. (IMI), registered a net income growth of 14 percent to US$17 million, bolstered by its organic businesses in the Philippines, China and Mexico operations, as well as fresh contributions from newly acquired businesses. IMI's total revenues grew 22 percent to US$501 million. Newly acquired businesses VIA Optronics and STI Enterprises Ltd. posted US$72.5 million in combined revenues, with one month contribution from STI.

AC Industrials' vehicle retail business posted ₱14.7 billion in revenues, up 37 percent year-on-year, mainly driven by strong sales across all brands. However, this was offset by the lower dividend income, resulting in a 21 percent-decline in the net income of AC Industrials' vehicle retail segment to ₱319 million.

In July, AC Industrials acquired MT Technologies GmbH, a German-based automotive supplier of models, tools, and plastic parts for automotive original equipment manufacturers (OEMs) and automobile tier 1 suppliers. In addition, its manufacturing facility for KTM motorcycles in Laguna commenced operations in June. These investments form part of AC Industrials' strategy to increase its competence and capabilities in the automotive value chain and complement existing businesses in manufacturing services and vehicle retail.

Power Generation

In power generation, AC Energy's net income surged 64 percent to ₱949 million in the first semester on the back of a favorable wind regime, improved efficiencies of its operating coal plants combined with feed-in-tariff earnings from its solar plant, as well as fresh contributions from Chevron's geothermal assets in Indonesia.

AC Energy continues to pursue domestic and foreign expansion initiatives as it targets to double its attributable power generating capacity to 2,000 megawatts by 2020. In July, AC Energy entered into an agreement with UPC Renewables for the development of small island power projects in Indonesia.

Also in July, AC Energy, together with Star Energy, transferred 99 percent of its consortium interest in ACEHI-STAR Holdings to AllFirst Equity Holdings. ACEHI-STAR is the special purpose company that signed a share sale and purchase agreement with Chevron Philippines to acquire its geothermal assets, subject to certain conditions precedent.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventues went down seven percent year-on-year to ₱9.4 billion, as a result of a decline in the operating results of BPI and Globe. This was partially offset by a higher share in net earnings of Ayala Land and AC Energy's associates and joint ventures.

Banking

Continued investments to ramp up its digitization strategy coupled with lower securities trading gains tempered Bank of the Philippine Islands' net income in the first semester to ₱11.7 billion, eight percent lower from its year-ago level.

Revenues ended flat at ₱35.3 billion as the solid growth in BPI's core banking business balanced out a lower non-interest income. The bank posted ₱23.5 billion net interest income, 14 percent higher year-on-year on the back of higher asset yields and an improved loan-to-deposit ratio. Non-interest income dropped 18 percent to ₱11.8 billion owing to a slowdown in securities trading. The decline was partly tempered by BPI's fee-based business, which grew 18 percent from the previous year, driven by cards and payments, service charges, and investment banking.

BPI's loan book expanded 17 percent to ₱1.1 trillion, driven by corporate loans, which accounted for 79 percent of the bank's loan portfolio in the first semester. The bank continues to improve its asset quality with gross 90-day non-performing loans ratio at 1.5 percent from 1.6 percent in the previous year, while reserve cover stood at 126 percent during the period. Total deposits grew eight percent to ₱1.4 trillion. The bank's current and savings accounts ratio stood at 73 percent.

As part of its commitment to widen its reach to underbanked and underserved Filipinos, BPI relaunched in July its microfinance arm, BPI Direct BanKo to service the needs of self-employed micro-entrepreneurs (SEMEs). BPI Direct BanKo currently operates 24 branches and micro-banking offices (MBOs) with a target to open 100 new branches and MBOs by year end.

Telecom

Globe Telecom sustained its topline growth on robust demand for data-related services across its product segments, with revenues expanding five percent to ₱62.9 billion in the first half of 2017.

Mobile revenues rose five percent to ₱48.3 billion, lifted by strong demand for mobile services. Mobile data revenues jumped 13 percent as mobile data traffic surged 85 percent to 280 petabytes during the period. Meanwhile, mobile subscribers dipped three percent to 59.7 million in the first semester as a result of Globe's shift in reporting prepaid subscribers who do not reload 120 days to 90 days of inactivity, which started in the first quarter of 2017.

Meanwhile, home broadband revenues grew eight percent to ₱7.7 billion, in step with a higher home broadband subscriber base which also improved eight percent to 1.2 million. In the first semester, data-related services accounted for 53 percent of Globe's total revenues.

Higher depreciation, interest expense, and costs related to the acquisition of San Miguel's telecom assets weighed down on Globe's net earnings, which dropped 10 percent to ₱8.1 billion in the first half of the year. Excluding costs related to the San Miguel deal, net earnings would only be four percent lower.

Globe ended the first half of the year with earnings before interest, taxes, depreciation, and amortization (EBITDA) of ₱27.3 billion, six percent higher from a year ago. Globe's EBITDA margin improved to 43.3 percent from 42.8 percent in the previous year.

In its drive to continue improving customer connectivity and increase data traffic, Globe in the second quarter rolled out more than 1,100 cell sites that utilize the LTE frequencies acquired from the San Miguel deal. It also deployed close to 150,000 broadband lines in the same period.

Other Income

Other income jumped 71 percent to ₱6.9 billion, driven by Manila Water's rehabilitation works, AC Energy's dividend income, Ayala Land and Bestfull's investment gains, and IMI's foreign exchange gains.

Costs and Expenses

Consolidated cost of sales grew to ₱80 billion, representing a 25 percent increase from the same period last year, attributed to higher sales and revenues mainly from the real estate, vehicle retail, manufacturing and energy businesses.

Consolidated general and administrative expenses rose 19 percent to ₱10 billion. The increase was a result of combined increments in the Ayala group's expenses, namely: costs related to manpower, contracted services, communication, retirement, and trainings; marketing and promotional expenses; professional and management fees; and depreciation expenses. This also includes the impact of consolidation of IMI's and AC Energy's new subsidiaries.

Balance Sheet Highlights

From the first quarter to the second quarter of 2017, total debt at the consolidated level stood flat at ₱313.7 billion. However, this represents a six percent increase when compared to the December 2016 level of ₱295.9 billion.

Consolidated cash and cash equivalent and short-term investments declined 15 percent to ₱52 billion, as a result of continued investments and capital expenditures. Ayala Land's business' expansion projects which were funded by proceeds from loan availments, and AC Energy's new investments and capital expenditures contributed to this. Capital expenditures from IMI also contributed to the decrease, partially offset by the increase from the consolidation of its new subsidiaries and loan subsidiaries. Manila Water's cash increased due to net loan availment, which was used in part for capital its expenditure program.

Investments in associates and joint ventures expanded nine percent to ₱197 billion, driven by the new investments of AC Energy and Manila Water, and higher shares in net earnings from the investees of Ayala Land.

Property, plants, and equipment likewise climbed 18 percent to ₱75.4 billion. This rise was attributed to AC Energy's construction of power plants for GNP Kauswagan; Ayala Land's expansion, particularly, in hotels; and IMI's expansion in Europe, as well as the impact of consolidation of new subsidiaries.

Cash at the parent level amounted to ₱12.1 billion, while net debt was recorded at ₱64.4 billion. Net debt to equity ratio in the first quarter was 0.60 at the parent level, and 0.67 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 9.8 percent as of end-June. This healthy balance sheet allows Ayala to fund its investments and cover its dividend and debt obligations.

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	**June 2017 (Unaudited)**	December 2016 (Audited)
Liquidity Ratio	Cash/ Cash equivalents + Short-term cash investments / Current Liabilities	**0.24**	0.26
Current ratio	Current assets / Current liabilities	**1.33**	1.22
Solvency Ratio	After-Tax Net Profit + (Depreciation + Amortization)+ Provision for Bad Debts / Total Liabilities	**0.04**	0.04 *
Debt-to-Equity Ratio	Long-term Loans + Short Term Loans / Equity Attributable to Owners of the Parent	**1.28**	1.28
Assets- to-Equity Ratio	Total Assets / Equity Attributable to Owners of the Parent	**3.91**	3.95
Interest Expense Coverage Ratio	EBITDA / Interest Expense	**6.04**	5.89 *
Return on Equity	Net Income to Owners of the Parent / Equity Attributable to Owners of the Parent (Average)	**6.3%**	6.4% *
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)	**6.7%**	6.9% *
Return on Assets	Net Income / Total Assets	**2.6%**	2.6% *

** Based on Unaudited June 30, 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 June 30, 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 first half of 2017, Ayala has spent ₱9.9 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 ₱41.6 billion has been disbursed as of June 30, 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 ₱41.6 billion in the first half of 2017, 48% was spent on the completion of residential projects and 33% was spent on commercial leasing projects, 12% was spent on land acquisition, new businesses, services and other investments while 7% was spent on the development of its estates.

MWC
MWC targets to spend around ₱57.0 billion capital expenditures from 2017 to 2020 for the rehabilitation and construction of facilities to improve water and sewer services in the Manila Concession 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 ₱3.5 billion (inclusive of concession fee payments) for capital expenditures in the first half of 2017, 68% more than the ₱2.1 billion spent in the same period the previous year. Of the total amount, 94% was spent on wastewater expansion, network reliability and water supply projects, while the balance of 6% was accounted for by concession fees paid to MWSS. Capital expenditures for the balance of 2017 is expected to further strengthen to meet the committed capital expenditures target in the approved business plan for the 2013-2017 rate rebasing period.

Meanwhile, total capital expenditures of the domestic subsidiaries grew by 15% to ₱1.1 billion from the ₱960 million spent in the first half of 2016. Of the total amount, ₱459 million was used by Laguna Water for its development of new water sources and network expansion, while Boracay Water and Clark Water disbursed ₱128 million and ₱120 million, respectively. Estate Water spent ₱234 million for its greenfield and brownfield projects. The balance was spent by MWTS, Tagum Water and Zamboanga Water.

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

IMI's capital investments in the first half of 2017 totaled $31.0 million, in line with its expansion programs and recent acquisitions. IMI continues to see opportunities to win new businesses and invest in expansion to maximize growth potentials and drive sustainable returns.

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.

For the first half of 2017, ACEHI has actualized ₱12.4 billion in capital expenditures. These capital expenditures 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 June 30, 2017 (Unaudited) vs. December 31, 2016 (Audited)

Cash and cash equivalents – 17% decrease from ₱60,223 million to ₱49,965 million
Decline mainly due to ALI's expansion projects in all business segments; ACEHI's new investments; and IMI's capital expenditures partly offset by increase arising from consolidation of new subsidiaries and loan availment. MWCI's cash increased due to net loan availment. This account is at 5% and 7% of the total assets as of June 30, 2017 and December 31, 2016, respectively.

Short-term investments – 103% increase from ₱1,009 million to ₱2,046 million
Increase due to additional short-term investments mainly from AC. This account is at less than 1% of the total assets as of June 30, 2017 and December 31, 2016.

Other Current Assets – 36% increase from ₱33,638 million to ₱45,755 million
Increase pertains to ALI group's higher FVPL/money market placements/ UITF investments, input tax, prepayments for project costs; AC Industrial's higher prepayments and input tax, plus IMI's consolidation of new subsidiaries; AAC's deposits for an aircraft acquisitions; and BHL's additional infusion in certain FVPL investments. This account is at 5% and 4% of the total assets as of June 30, 2017 and December 31, 2016, respectively.

Accounts and notes receivable (non-current) – 18% decrease from ₱36,484 million to ₱30,009 million
Decrease attributable to ALI's collections, partial sale of receivables to banks and reclassification of trade receivables to current accounts. This account is at 3% and 4% of the total assets as of June 30, 2017 and December 31, 2016, respectively.

Investments in associates & joint ventures – 9% increase from ₱180,314 million to ₱196,575 million
Growth was attributable to new investments of ACEHI and MWCI; plus share in net earnings from BPI, Globe, and from existing investees of ALI, MWCI and ACEHI; partially offset by BHL's disposal of investments. This account is at 21% and 20% of the total assets as of June 30, 2017 and December 31, 2016, respectively.

Investment Properties – 8% increase from ₱110,917 million to ₱120,068 million
Increase related to ALI group's expansion projects mainly on malls and office properties. This account is at 13% and 12% of the total assets as of June 30, 2017 and December 31, 2016, respectively.

Property, plant and equipment – 18% increase from ₱64,074 million to ₱75,435 million
Increase coming from ACEHI's construction of power plants for GNP Kauswagan's coal investment; ALI's capex significantly for its hotels and resorts operations; and IMI's plant expansion mainly in Europe plus impact of consolidation of new subsidiaries. This account is at 8% and 7% of the total assets as of June 30, 2017 and December 31, 2016, respectively.

Intangible assets – 48% increase from ₱9,716 million to ₱14,361 million
Higher balance pertains to goodwill booked arising from IMI's and ACEHI's new investment acquisitions. This account is at 1% of the total assets as of June 30, 2017 and December 31, 2016.

Pension and other noncurrent assets - 8% increase from ₱25,847 million to ₱28,030 million
Increase due to ALI's additional prepaid costs for unlaunched projects and investment in available-for-sale assets (AFS); MWC's higher balance of foreign currency adjustment forming part of non-current assets; and BHL's additional investment in AFS accounts; partially offset by ACEHI's use of cash deposit to fund investment in an associate. The account also includes the Group's pension asset amounting to P196 million which has no significant movement for the period.[1] This account is at 3% of the total assets as of June 30, 2017 and December 31, 2016.

Short-term debt – 29% decrease from ₱30,858 million to ₱21,906 million
Decrease was caused by net settlements of ALI group; partially offset by additional borrowings of the following subsidiaries: IMI (for expansion of operations), Automotive (for vehicle purchase) and MWC (for bridge financing). This account is at 4% and 6% of the total liabilities as of June 30, 2017 and December 31, 2016, respectively.

Income tax payable – 10% decrease from ₱2,270 million to ₱2,035 million
Decline arising from lower tax payable of ALI group. This account is less than 1% of the total liabilities as of June 30, 2017 and December 31, 2016.

Long-term debt (current) – 44% decrease from ₱19,793 million to ₱11,140 million
Decrease on account of AC's settlement of bonds due in 2017; partially offset by increase in loans due to additional borrowings of ALI, MWC and ACEHI including impact of revaluation of certain foreign currency denominated loans. This account is at 2% and 4% of the total liabilities as of June 30, 2017 and December 31, 2016, respectively.

Other current liabilities – 22% decrease from ₱17,523 million to ₱13,680 million
Decline primarily due to ALI group's application of deposits against receivables recognized upon take up of revenues; partially offset by Automotive's higher customer deposits and downpayment; and IMI's increase due to impact of consolidation of new subsidiaries. This account is at 2% and 3% of the total liabilities as of June 30, 2017 and December 31, 2016, respectively.

Long-term debt (noncurrent) – 14% increase from ₱245,203 million to ₱280,645 million
Increase contributed by peso bond issuance of AC and ALI; and long-term borrowings for expansion projects of ALI, ACEHI and MWC; coupled with impact of consolidation of new subsidiaries of IMI. This account is at 50% and 45% of the total liabilities as of June 30, 2017 and December 31, 2016, respectively.

Deferred tax liabilities – 5% decrease from ₱9,544 million to ₱9,026 million
Decrease attributable to MWC group decrease in DTL partially offset by ALI's higher DTL. This account is at 2% of the total liabilities as of June 30, 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.

Pension liabilities[1] – 9% decrease from ₱2,469 million to ₱2,239 million
Decline primarily due to AC parent's downward adjustment relating to deferred tax assets, net of deferred tax liabilities. This account is at less than 1% of the total liabilities as of June 30, 2017 and December 31, 2016.

Other noncurrent liabilities – 8% increase from ₱40,870 million to ₱44,220 million
Increase primarily due to ALI's higher contractors payable for additional project costs and security deposits from tenants with long-term leases; plus IMI's higher balances arising from consolidation of new subsidiaries. This account is at 8% of the total liabilities as of June 30, 2017 and December 31, 2016.

Cost of share based payments – 44% decrease from ₱496 million to ₱280 million
Decrease pertains to exercise of stock options grants of AC employees. This account is at less than 1% of the total equity as of June 30, 2017 and December 31, 2016.

Net unrealized gains (losses) on available-for-sale financial assets – 129% decline from negative ₱467 million to negative ₱1,068 million
Decline pertains mainly to realized gain recognized in P&L by BHL upon disposal of certain AFS investments; partially offset by increase in the market value of securities held by BPI group as AFS financial assets. This account is at less than 1% of the total equity as of June 30, 2017 and December 31, 2016.

Cumulative translation adjustments - 71% increase from ₱1,415 million to ₱2,413 million
Increase due to upward impact of net foreign assets, significantly coming from ACEHI, BHL and IMI groups. Forex of Ph₱ vs US$ increased causing higher CTA figure *(₱50.47 in June 2017 vs. ₱49.72 in December 2016).* This account is at less than 1% of the total equity as of June 30, 2017 and December 31, 2016.

Retained earnings – 9% increase from ₱145,622 million to ₱158,532 million
Increase represents share in Q2 2017 group net income net of dividends declared. This account is at 40% and 39% of the total equity as of June 30, 2017 and December 31, 2016, respectively.

Non-controlling interests – 5% increase from ₱140,073 million to ₱146,931 million
Higher amount represents share in Q2 2017 group net income and OCI net of dividends declared by subsidiaries to its non-controlling interests. This account is at 38% of the total equity as of June 30, 2017 and December 31, 2016, respectively.

Income Statement items
For the Period Ended June 30, 2017 (Unaudited) vs. June 30, 2016 (Unaudited)

Sale of goods and rendering services – 22% increase from a total of ₱90,908 million to ₱110,655 million
Growth in sale of goods came primarily from sustained growth in land sales, all segments of housing, residential and condo units of ALI group, higher sales of Automotive and IMI groups, plus impact of consolidation of new subsidiaries of IMI. Higher revenues from rendering of service of ACEHI and Education. As a percentage to total income, this account is at 85% and 84% in June 30, 2017 and 2016, respectively.

Share of profit of associates and joint ventures – 7% decrease from ₱10,129 million to ₱9,381 million
Decrease arising from decline in operating results of BPI and Globe partially offset by higher share in net earnings of AJVs of ALI and ACEHI. As a percentage to total income, this account is at 7% and 9% in June 30, 2017 and 2016, respectively.

Other income – 71% increase from ₱4,036 million to ₱6,910 million
Increase due to MWC's higher rehabilitation works, ACEHI's dividend income, ALI and BHL's investments gain, and IMI's forex gain. This account is at 5% and 4% of the total income in June 30, 2017 and 2016, respectively.

Cost of sales and rendering services – 25% increase from ₱64,194 million to ₱80,008 million
Increase resulting from higher sales and revenues of ALI, Automotive, IMI, ACEHI and Education groups. As a percentage to total costs and expenses, this account is at 80% and 79% in June 30, 2017 and 2016, respectively.

General and administrative expenses – 19% increase from ₱8,399 million to ₱9,953 million

Increase mainly on combined increments in the group's expenses specifically from: ALI (contracted services, communication, retirement and trainings), AC, ACEHI and MWC (manpower and insurance costs plus depreciation expenses), Automotive (marketing and promo expenses) and IMI (manpower costs, professional/ management fees); including impact of consolidation of new subsidiaries of IMI. As a percentage to total costs and expenses, this account is at 10% in both June 30, 2017 and 2016.

Interest expense and other financing charge – 8% increase from ₱6,685 million to ₱7,214 million
Increase attributable to higher loans of ALI and ACEHI groups to fund new and expansion projects. As a percentage to total costs and expenses, this account is at 7% and 8% in June 30, 2017 and 2016, respectively.

Other charges – 38% increase from ₱2,110 million to ₱2,905 million
Increase mainly on higher rehabilitation works costs of MWC; partially offset by reversal of impairment provisions for certain investments as there was improvement in its value. As a percentage to total costs and expenses, this account is at 3% both in June 30, 2017 and 2016.

Provision for income tax (current and deferred) – 16% increase from ₱4,839 million to ₱5,609million
Increase 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 – 9% increase from ₱13,772 million to ₱15,059 million
Increase resulting from better performance of most subsidiaries of the Group.

Income attributable to Non-controlling interests – 14% increase from ₱8,355 million to ₱9,543 million
Increase resulting from 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.

Refer to Note 22 of the Notes to Unaudited Interim Consolidated Financial Statements.

3.1 Other material events or transactions during the interim period.

Refer to Notes 3 and 10 of the Notes to Unaudited Interim 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.

   On May 9, 2017, the Company, in compliance with the SEC Memorandum Circular No. 20, series of 2016, submitted the ACGR for the year 2016.

   On May 31, 2017, the Company, in compliance with SEC Memorandum Circular No. 19, Series of 2016, submitted the revised and updated Corporate Governance Manual which was approved by the Executive Committee on May 23, 2017.

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 full year 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.

   On May 11, 2017, in a press statement, the Company reported that its net income expanded 20% in Q1 2017 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.

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.

    On May 22, 2017, 32 grantees subscribed to 456,286 common shares at ₱837.53 per share. As a result of the subscription, the number of outstanding common shares is now 621,190,284.

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

12. On May 31, 2017, the Company advised of the retirement of Mr. Gerardo C. Ablaza, Jr. as Senior Managing Director effective on the same date. He will continue to serve the Company as consultant and as a member of the Board of Directors of certain companies in the group, such as Manila Water Company Inc., Bank of the Philippine Islands, AC Energy Holdings Inc., and AC Infrastructure Holdings Corporation.

13. On June 22, 2017, the Board of Directors, at its regular meeting, approved the declaration of regular dividend of ₱3.46 per common share. The record date is July 7, 2017, and payment date is July 22, 2017. This cash dividend is for the first semester ending June 30, 2017.

14. On June 22, 2017, the Board of Directors at its regular meeting, approved the Company's filing of a three-year shelf registration with the SEC of up to ₱30.0 billion in principal amount of debt securities in one or more tranches and under such terms as may be determined by the Company within such period and in accordance with the SEC rules. The securities will be sold through general public offerings. Relevant documents and information will be filed with the pertinent regulatory agencies in due course.

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: August 14, 2017