

SEC No. _____
File No. _____

AYALA CORPORATION

(Company's Full Name)

**Tower One, Ayala Triangle
Ayala Avenue, Makati City**

(Company's Address)

908-30-00

(Telephone Number)

March 31, 2011

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2011**
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: **34th Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City**
Postal Code: **1226**
8. Registrant's telephone number: **(632) 908 3000**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares outstanding
Preferred A	12,000,000
Preferred B	58,000,000
Voting Preferred	200,000,00
Common*	484,917,101

*Net of 15,557,334 treasury shares

Amount of debt outstanding as of March 31, 2011: **P95.5 billion**

11. Are any of these securities listed on the Philippine Stock Exchange? Yes [] No []

A total of 495,426,950 Common shares, 12,000,000 Preferred "A" shares and 58,000,000 Preferred "B" shares are listed with the Philippine Stock Exchange as of December 31, 2010.
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 Sections 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 [] No []
 - (b) has been subject to such filing requirements for the past 90 days: Yes [] No []

TABLE OF CONTENTS

PART – I FINANCIAL INFORMATION

Item 1	Financial Statements	
	Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010	1
	Unaudited Consolidated Statements of Income For the Periods Ended March 31, 2011 and 2010	2
	Unaudited Consolidated Statements of Comprehensive Income For the Periods Ended March 31, 2011 and 2010	3
	Unaudited Consolidated Statements of Changes in Stockholders' Equity For the Periods Ended March 31, 2011 and 2010	4
	Unaudited Consolidated Statements of Cash Flow for the Periods Ended March 31, 2011 and 2010	5
	Notes to Consolidated Financial Statements	6
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	27

PART II – OTHER INFORMATION	34
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SIGNATURES

PART I – FINANCIAL INFORMATION

Item I - Financial Statements



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 2011 and December 31, 2010
(Amounts in Thousands)

	March 2011 (Unaudited)	December 2010 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	61,996,886	53,142,777
Short-term investments (Note 5)	1,694,100	3,993,533
Accounts and notes receivable - net (Note 6)	27,375,932	26,184,128
Inventories (Note 8)	19,361,890	18,374,656
Other current assets	11,233,154	6,911,634
Total Current Assets	121,661,962	108,606,728
Noncurrent Assets		
Noncurrent accounts and notes receivable	4,559,965	4,793,315
Land and improvements - net	16,873,188	16,433,698
Investments in associates and jointly controlled entities-net (Note 9)	72,291,841	72,004,879
Investment in bonds and other securities (Note 7)	4,813,469	4,854,337
Investment properties - net	30,340,103	29,488,275
Property, plant and equipment - net	11,610,054	11,698,923
Service concession assets	59,874,481	59,097,769
Intangible assets - net	3,259,312	3,083,089
Deferred tax assets - net	2,709,629	2,749,148
Pension assets	192,478	190,658
Other noncurrent assets	1,976,059	2,587,255
Total Noncurrent Assets	208,500,579	206,981,346
Total Assets	330,162,541	315,588,074
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	36,858,080	37,896,575
Short-term debt (Note 11)	4,762,877	4,519,287
Income tax payable	701,078	440,834
Current portion of:		
Long-term debt (Note	10,739,103	11,237,343
Service concession obligation	1,127,754	794,473
Other current liabilities (Note 12)	2,338,301	2,631,344
Total Current Liabilities	56,527,193	57,519,856
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 11)	79,995,944	67,079,948
Service concession obligation - net of current portion	6,101,424	7,025,751
Deferred tax liabilities	5,849,583	5,893,442
Pension liabilities	360,388	340,903
Other noncurrent liabilities (Note 12)	12,142,659	10,942,291
Total Noncurrent Liabilities	104,449,998	91,282,335
Total Liabilities	160,977,191	148,802,191
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 13)	37,894,154	37,855,466
Share-based payments	1,264,372	1,243,055
Retained earnings	76,461,639	74,011,144
Cumulative translation adjustment	(1,762,069)	(1,763,471)
Net unrealized gain/(loss) on available -for-sale financial assets	424,199	1,128,734
Parent Company preferred shares held by subsidiaries	(250,000)	(250,000)
Equity reserve	177,209	148,302
Treasury stock	(5,143,284)	(4,832,262)
	109,066,220	107,540,968
Non-controlling interests	60,119,130	59,244,915
Total Equity	169,185,350	166,785,883
Total Liabilities and Equity	330,162,541	315,588,074

See accompanying Notes to Condensed Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2011 and 2010
(In Thousand Pesos)

	March 2011	March 2010
INCOME		
Sales and services revenue	20,475,346	17,256,440
Equity in net earnings of associates and jointly controlled entities	1,848,983	1,985,216
Interest income	586,450	505,966
Other income	611,214	526,482
	23,521,993	20,274,104
COSTS AND EXPENSES		
Cost of sales and services	14,241,346	13,225,568
General and administrative	2,969,618	2,201,981
Interest expense and other financing charges	1,361,670	947,661
Other charges	143,179	184,452
	18,715,813	16,559,662
INCOME BEFORE INCOME TAX	4,806,180	3,714,442
Provision for income tax	904,571	661,067
NET INCOME	3,901,609	3,053,375
ATTRIBUTABLE TO:		
Equity holders of the parent	2,450,495	2,112,092
Minority interest	1,451,114	941,283
	3,901,609	3,053,375
EARNINGS PER SHARE (Note 14)		
Basic	4.49	3.71
Diluted	4.47	3.69

See accompanying Notes to Condensed Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Periods Ended March 31, 2011 and 2010
(Amounts in thousands)

	March 2011	March 2010
NET INCOME FOR THE PERIOD	3,901,609	3,053,375
Other comprehensive income:		
Exchange differences arising from translations of foreign investments	(102,596)	(141,429)
Changes in fair value of available-for-sale investment in equity securities	34,001	14,319
Share of other comprehensive income of associates:		
Exchange differences arising from translations of foreign investments	76,581	(26,256)
Changes in fair value of available-for-sale investment in equity securities	(739,962)	241,645
Other comprehensive income for the period	<u>(731,976)</u>	<u>88,279</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>3,169,633</u>	<u>3,141,654</u>
Total comprehensive income attributable to:		
Equity holders of Ayala Corporation	1,747,362	2,254,917
Noncontrolling interests	1,422,271	886,737
	<u>3,169,633</u>	<u>3,141,654</u>

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
As of March 31, 2011 and 2010
(Amounts in thousands)

	Paid-up Capital	Share- based Payments	Cumulative Translation Adjustments	Retained Earnings	Net Unrealized gain on Available for Sale-Financial	Equity Reserve	Parent Company Preferred Shares Held by Subsidiaries	Treasury Stock	Non- controlling Interests	Total Equity
As at January 1, 2011 as previously reported	37,855,466	1,243,055	(1,763,471)	74,011,144	1,128,734	148,302	(250,000)	(4,832,262)	59,244,915	166,785,883
Net Income	-	-	-	2,450,495	-	-	-	-	1,451,114	3,901,609
Other comprehensive income	-	-	1,402	-	(704,535)	-	-	-	(28,843)	(731,976)
Total comprehensive income	-	-	1,402	2,450,495	(704,535)	-	-	-	1,422,271	3,169,633
Issuance of shares	38,688	-	-	-	-	-	-	-	-	38,688
Cost of share-based payments of Parent	-	23,984	-	-	-	-	-	-	-	23,984
Cost of share-based payments of investees	-	(2,667)	-	-	-	-	-	-	-	(2,667)
Acquisition of treasury stocks	-	-	-	-	-	-	-	(311,022)	-	(311,022)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	(548,056)	(548,056)
Effect of change in ownership interests in subsidiaries	-	-	-	-	-	28,907	-	-	-	28,907
Balances of March 31, 2011	37,894,154	1,264,372	(1,762,069)	76,461,639	424,199	177,209	(250,000)	(5,143,284)	60,119,130	169,185,350
As at January 1, 2010 as previously reported	37,477,875	1,059,588	(1,351,334)	65,739,096	123,916	-	(100,000)	(688,714)	33,157,723	135,418,150
Net Income	-	-	-	2,112,092	-	-	-	-	941,283	3,053,375
Other comprehensive income	-	-	(113,018)	-	262,705	-	-	-	(61,408)	88,279
Total comprehensive income	-	-	(113,018)	2,112,092	262,705	-	-	-	879,875	3,141,654
Collection of subscriptions receivable	35,297	-	-	-	-	-	-	-	-	35,297
Cost of share-based payments of Parent	-	1,107	-	-	-	-	-	-	-	1,107
Cost of share-based payments of investees	-	13,974	-	-	-	-	-	-	-	13,974
Parent Company preferred shares held by a Subsidiary	-	-	-	-	-	-	(150,000)	-	-	(150,000)
Acquisition of treasury stocks	-	-	-	-	-	-	-	(550,821)	-	(550,821)
Adjustment during the period	-	-	-	-	-	-	-	-	9,884,287	9,884,287
Dividends on preferred shares	-	-	-	-	-	-	-	-	-	-
Effect of change in ownership interests in subsidiaries	-	-	-	-	-	32,839	-	-	-	32,839
Balances of March 31, 2010	37,513,172	1,074,669	(1,464,352)	67,851,188	386,621	32,839	(250,000)	(1,239,535)	43,921,885	147,826,487

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2011 and 2010
(In Thousand Pesos)

	March 31, 2011	March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	4,806,180	3,714,442
Adjustments for:		
Interest and other financing charges	1,361,670	1,132,113
Depreciation and amortization	1,477,079	1,114,107
Cost of share-based payments	21,318	15,081
Equity in net earnings of associates and joint ventures	(1,848,983)	(1,985,216)
Other investment income	(131,911)	(158,811)
Gain on sale of assets	(433,142)	(86,718)
Interest income	(586,450)	(505,966)
Operating income before changes in working capital	4,665,761	3,239,033
Decrease (increase) in:		
Accounts and notes receivable	(1,012,513)	(1,558,484)
Inventories	(987,234)	(5,292,711)
Other current assets	(4,321,520)	(562,361)
Increase (decrease) in:		
Accounts payable and accrued expenses	251,374	2,961,796
Net pension liabilities	17,665	(202,704)
Net Service concession obligation	(1,578,617)	0
Other current liabilities	(293,043)	(21,539)
Cash generated from operations	(3,258,127)	(1,436,970)
Interest received	640,509	629,894
Interest paid	(1,415,127)	(1,294,493)
Income tax paid	(599,757)	(946,519)
Total cash provided by (used in) operating activities	(4,632,502)	(3,048,087)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	1,245,641	4,720,759
Disposal of property, plant and equipment	(143,114)	(1,009,982)
Maturities of (additions to) short-term investments	2,299,433	3,486,508
Additions to:		
Investments	(3,017,410)	(1,719,040)
Property, plant and equipment	(545,439)	(751,925)
Dividends received from associates and jointly controlled entities	1,834,465	2,375,468
Decrease (increase) in other noncurrent assets	(72,329)	2,767,166
Acquisition through business combination	(492,142)	3,486,141
Net cash provided by investing activities associated with noncurrent assets held for sale, including cash balance	0	0
Net cash provided by (used in) investing activities	1,109,104	13,355,094
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term and long-term debt	13,886,417	688,786
Issuance of common shares	7,628	1
Collections of (additions to) subscription receivable	31,061	35,296
Payment of short-term and long-term debt	(647,246)	(985,246)
Dividends paid	(1,320,691)	(1,287,358)
Acquisition of treasury shares	(311,022)	(550,821)
Parent Co. preferred shares held by a subsidiary	0	(150,000)
Dilution reserves	28,906	32,839
Increase (decrease) in:		
Other noncurrent liabilities	1,200,368	(809,230)
Minority interest in consolidated subsidiaries	(497,913)	(845,591)
Net cash provided by (used in) financing activities	12,377,508	(3,871,323)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,854,109	6,435,684
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	53,142,777	45,656,889
CASH AND CASH EQUIVALENTS AT END OF PERIOD	61,996,886	52,092,573

AYALA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2010 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, 2010.

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

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

The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), and all values are rounded to the nearest thousands except when otherwise indicated.

On 11 May 2011, the Audit Committee approved and authorized the release of the accompanying unaudited condensed financial statements of Ayala Corporation and Subsidiaries.

2. Significant Accounting Policies

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2010. The Group will also adopt several amended and revised standards and interpretations in 2012.

Effective 2011

PAS 24 (Amended), Related Party Disclosures

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

PAS 32 (Amendment), Financial Instruments: Presentation - Classification of Rights Issues

The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14 (Amendment), Prepayments of a Minimum Funding Requirement

The Amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The Amendment provides guidance on

assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

This Philippine Interpretation is effective for annual periods beginning on or after July 1, 2010. The Philippine Interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS

The omnibus amendments to PFRSs issued in May 2010 were issued primarily with a view to removing inconsistencies and clarifying wordings. The amendments are effective for annual periods beginning January 1, 2011, except as otherwise stated.

- PFRS 3 (Revised), *Business Combination*

This Amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32 and PAS 39 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

- PFRS 7, *Financial Instruments: Disclosures*

This Amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:

- a. Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
- b. Requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- c. Remove disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.

- e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.
- *PAS 1, Presentation of Financial Statements*
This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- *PAS 27, Consolidated and Separate Financial Statements*
This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.
- *Philippine Interpretation IFRIC 13, Customer Loyalty Programmes*
This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations 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 in 2012

Philippine Interpretation IFRIC 15, Agreement for the Construction of Real Estate

This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services, in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this Philippine Interpretation will be accounted for retrospectively, and will result to restatement of prior period financial statements. The adoption of this Philippine Interpretation may significantly affect the determination of revenue for real estate sales and the corresponding cost, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Philippine Interpretation when it becomes effective in 2012.

PAS 12 (Amendment), Income Taxes - Deferred Tax: Recovery of Underlying Assets

The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

PFRS 7 (Amendments), Financial Instruments: Disclosures - Disclosures - Transfers of Financial Assets

The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The

amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Effective 2013

PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The Standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a more comprehensive picture.

3. Principles of Consolidation

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

Effective Percentages of Ownership		
	March 2011	December 2010
Real Estate and Hotels:		
Ayala Land, Inc. (ALI) and subsidiaries *	53.2	53.2
Ayala Hotels, Inc. (AHI) and subsidiaries	76.6	76.6
Technopark Land, Inc.	78.8	78.8
Electronics, Information Technology and Business Process Outsourcing Services:		
Azalea Technology Investments, Inc. and subsidiaries (Azalea Technology)	100.0	100.0
Azalea International Venture Partners, Limited (AIVPL) (British Virgin Islands Company)	100.0	100.0
Integrated Microelectronics, Inc. (IMI) and subsidiaries**	67.2	67.2
LiveIT Solutions, Inc.	100.0	100.0
Automotive:		
Ayala Automotive Holdings Corporation (AAHC) and subsidiaries	100.0	100.0
Water Utilities:		
Manila Water Company, Inc. (MWCI) and subsidiaries ***	43.1	43.1
Philwater Holdings Company, Inc. ***	100.0	100.0
Water Capital Works, Inc. ***	100.0	100.0
International and Others:		
AC International Finance Limited (ACIFL) and subsidiary (Cayman Island Company)	100.0	100.0
Ayala Aviation Corporation	100.0	100.0
AG Counselors Corporation	100.0	100.0
AYC Finance Ltd. (AYC) (Cayman Island Company)	100.0	100.0
Bestfull Holdings Limited (incorporated in HongKong) and subsidiaries (BHL Group)	100.0	100.0
Darong Agricultural and Development Corporation	100.0	100.0
Michigan Holdings, Inc. and subsidiary	100.0	100.0
Michigan Power Inc. (MPI)	100.0	100.0
MPM Noodles Corporation	100.0	100.0
Purefoods International Ltd.	100.0	100.0

**The Company owns 75.25% of the total common and preferred shares of ALI.*

*** a subsidiary of ACIFL through AYC Holdings, Ltd.*

On February 21, 2011, AIVPL and AC entered into a subscription agreement wherein AC subscribed to 2,371,699 shares of AIVPL and paid \$1 per share (equivalent to par value) for a total of \$2,371,699. Such amount was infused to Livelt Investments Ltd. (LIL), for its operating expenses.

Consequently, AIVPL & LIL entered into a subscription agreement wherein AIVPL subscribed to 237,169 shares of LIL and paid \$10 per share (equivalent to par value) for a total of \$2,371,690.

On February 21, 2011, AIVPL and AC entered into a deposit for future subscription wherein AC deposited \$550,000 to AIVPL which will be infused to Livelt Investments, Ltd. for Affinity's loan availment.

Moreover, on the same date, AIVPL and LIL entered into a deposit for future subscription wherein AIVPL deposited \$550,000 to LIL which will be used for Affinity's loan availment.

On March 16, 2011, the Company, through MPI, a 100%-owned subsidiary, acquired a 50% effective stake in NorthWind Power Development Corporation (NorthWind). NorthWind owns and operates the 33-MW wind farm located in Bangui Bay, Ilocos Norte. The wind farm has 20 wind turbines and is the first commercial wind farm ever established in Southeast Asia.

MPI is the holding company established by AC to be its primary vehicle for investments in the power sector. The acquisition entailed the purchase by MPI of 100% stake in three privately held companies which have a combined 50% stake in NorthWind. MPI paid a base consideration of P513 million which would be subject to adjustments depending on the plant capacity factor achieved and the feed-in-tariff approved by the government within one year from the acquisition date. The acquired companies, whose assets are essentially NorthWind shares, will be merged with MPI with the latter as the surviving entity.

As of March 31, 2011, the purchase price allocation relating to the Group's effective acquisition of Northwind has been prepared on preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition were based on the net book values of the identifiable assets and liabilities since these approximate the fair values. The difference between the total consideration and the net assets amounting to P211.7 million was initially allocated to goodwill as of March 31, 2011.

4. Cash and Cash Equivalents (in Thousand Pesos):

	March 2011	December 2010
Cash on hand and in banks	8,300,505	8,822,040
Cash equivalents	53,696,381	44,320,737
	61,996,886	53,142,777

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term 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 respective short-term investment rates.

5. Short-term Investments (in Thousand Pesos):

	March 2011	December 2010
Money market placements	1,694,100	3,993,533

Money market placements are short-term investments made for varying periods of more than three months and up to six months and earn interest at the respective short-term investment rates.

6. Accounts and Notes Receivable (in Thousand Pesos):

	March 2011	December 2010
Trade:		
Real estate	14,108,810	13,898,871
Electronics manufacturing	4,638,814	4,215,059
Water utilities	1,040,769	1,006,082
Automotive	901,965	869,557
Information technology & business process (BPO)	98,416	67,227
International and others	3,073	2,770
Related parties	3,396,315	2,367,653
Advances to contractors	3,590,320	3,586,985
Investment in bonds classified as loans and receivables	200,000	200,000
Advances and others	5,099,377	5,923,468
	33,077,859	32,137,672
Less allowance for doubtful accounts	1,141,962	1,160,229
	31,935,897	30,977,443
Less noncurrent portion	4,559,965	4,793,315
	27,375,932	26,184,128

7. Investments in Bonds and Other Securities (in Thousand Pesos):

	March 2011	December 2010
Quoted/unquoted equity/debt investments	4,813,469	4,854,337

8. Inventories (in Thousand Pesos):

	March 2011	December 2010
Real estate inventories:		
Subdivision for sale	8,527,016	8,230,322
Condominium and commercial units for sale	7,420,015	6,984,154
Materials, supplies and others - at NRV (cost of P2,036,564 in 2011 and P1,886,526 in 2010)	1,877,299	1,736,949
Vehicles - at cost	654,811	621,358
Work in process - at NRV (cost of P395,102 in 2011 and P319,441 in 2010)	380,442	312,709
Finished Goods - at NRV (cost of P354,399 in 2011 and P348,967 in 2010)	359,116	345,711
Parts and accessories - at NRV (cost of P219,037 in 2011 and P230,719 in 2010)	143,191	143,453
	19,361,890	18,374,656

9. Investments in Associates and Jointly Controlled Entities

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of ownership as of March 31, 2011 are as follows:

	Percentage of Ownership		Carrying Amounts	
	March 2011	December 2010	March 2011	December 2010
	(In Millions)			
Domestic:				
Bank of the Philippine Islands and Subsidiaries (BPI)	23.9	23.9	P 24,803	P 24,645
Globe Telecom, Inc. and Subsidiaries (Globe) *	30.5	30.5	16,775	17,053
Ayala DBS Holdings, Inc. (ADHI) *	45.5	45.5	9,727	9,649
Emerging City Holdings, Inc. (ECHI) *	50.0	50.0	3,506	3,492
Cebu Holdings, Inc. and Subsidiaries (CHI)	47.0	47.0	2,156	2,105
North Triangle Depot Commercial Corporation	49.3	49.3	1,464	1,436
Berkshire Holdings, Inc. (BHI) *	50.0	50.0	1,503	1,496
Bonifacio Land Corporation (BLC)	10.0	10.0	1,139	1,133
Asiacom Philippines, Inc. (Asiacom) *	60.0	60.0	970	918
Alabang Commercial Corporation (ACC) *	50.0	50.0	655	617
Foreign:				
Stream Global Services, Inc. (Stream)	25.8	25.8	3,771	3,882
Integreon, Inc. (Integreon) *	56.4	56.4	2,701	2,804
Arch Asian Partners L.P.	19.2**	19.2**	2,129	2,022
Others	Various	Various	994	753
			72,292	72,005

* *Jointly controlled entities.*

** *Effective ownership interest of the Company.*

Below is BPI's balance sheet information (in Million Pesos):

	March 2011 Unaudited	December 2010 Audited
Total Resources	<u>760,827</u>	<u>878,146</u>
Total Liabilities	677,889	795,871
Capital Funds for Equity Holders	81,654	81,030
Noncontrolling interest	1,284	1,245
Total Liabilities and Capital Funds	<u>760,827</u>	<u>878,146</u>

Below is BPI's income statement information (in Million Pesos Except EPS Figures):

	March 2011 Unaudited	December 2010 Audited
Interest Income	9,431	36,987
Other Income	3,095	15,369
Total Revenues	<u>12,526</u>	<u>52,356</u>
Operating expenses	5,265	20,954
Interest expense	3,145	13,359
Impairment losses	592	3,454
Provision for Income Tax	607	3,110
Total Expenses	<u>9,609</u>	<u>40,877</u>
Net Income for the period	<u>2,917</u>	<u>11,479</u>
Attributable to:		
Equity holders of BPI	2,855	11,312
Noncontrolling Interest	62	167
	<u>2,917</u>	<u>11,479</u>
EPS:	0.80	3.38
Based on 3,556M common shares as of March 31, 2011 and 3,556M common shares as of December 31, 2010		

Below is Globe's balance sheet information (in Million Pesos):

	March 2011 Unaudited	December 2010 Audited
Total Current Assets	23,113	21,585
Non-current Assets	110,568	109,043
Total Assets	<u>133,681</u>	<u>130,628</u>
Current Liabilities	45,688	35,309
Non-current Liabilities	42,040	48,450
Stockholders' Equity	45,953	46,869
Total Liabilities & Stockholders' Equity	<u>133,681</u>	<u>130,628</u>

Below is Globe's income statement information (in Million Pesos Except EPS Figures):

	March 2011 Unaudited	December 2010 Audited
Net Operating Revenues	17,556	66,623
Other Income	178	52
Total Revenues	<u>17,734</u>	<u>66,676</u>
Costs and Expenses	13,453	52,638
Provision for Income Tax	1,290	4,294
Total Expenses	<u>14,743</u>	<u>56,931</u>
Net Income	<u>2,991</u>	<u>9,745</u>
EPS:		
Basic	22.54	73.63
Diluted	22.43	73.12

As of March 31, 2011

 Basic based on 132,348K common shares

 Diluted based on 133,366K common shares

As of December 31, 2010

 Basic based on 132,343K common shares

 Diluted based on 133,275K common shares

Below is Stream's balance sheet information (in Million Pesos):

	MARCH 2011		DECEMBER 2010	
	Unaudited		Audited	
	In US \$	In Php	In US \$	In Php
Total Current Assets	235	10,176	218	9,551
Total Non-current Assets	404	17,529	421	18,462
Total Assets	639	27,705	639	28,013
Current Liabilities	123	5,334	119	5,200
Non-current Liabilities	253	10,988	261	11,427
Equity Holders	262	11,384	259	11,387
Total Liabilities & Stockholders' Equity	639	27,706	639	28,013

Below is Stream's income statement information (in Million Pesos Except EPS Figures):

	MARCH 2011		DECEMBER 2010	
	Unaudited		Audited	
	In US \$	In Php	In US \$	In Php
Total Revenues	213	9,314	800	36,089
Costs and expenses	215	9,406	818	36,871
Provision for income tax	-	-	38	1,746
	215	9,406	856	38,617
Net Income	(2)	(92)	(56)	(2,528)
EPS:				
Basic	(0.03)	(25.44)	(0.67)	(29.37)
Diluted	(0.03)	(25.44)	(0.67)	(29.37)

Basic and diluted based on 80,126K common shares as of March 31, 2011 and 79,905K common shares as of December 31, 2010

10. Accounts Payable and Accrued Expenses (in Thousand Pesos):

	March 2011	December 2010
Accounts payable	23,393,810	21,654,637
Accrued expenses	10,279,038	12,766,160
Dividends payable	1,155,191	2,226,117
Accrued personnel costs	628,538	557,589
Interest payable	520,511	572,921
Retention payable	880,992	119,151
	<u>36,858,080</u>	<u>37,896,575</u>

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

11. Short-term Debt and Long-term Debt (in Thousand Pesos):

	March 2011	December 2010
Short-term debt:		
Philippine Peso with various interest rates	2,403,862	2,483,413
Foreign Currency with various interest rates	2,359,015	2,035,874
	<u>4,762,877</u>	<u>4,519,287</u>
Long-term debt:		
Company:		
Bank loans with various interest rates	6,713,141	6,730,000
Fixed Rate Corporate Notes (FXCNs)	11,381,893	11,432,500
Bonds, due 2012	5,977,151	6,000,000
Bonds, due 2017	9,703,788	9,800,000
Syndicated term loan	1,484,955	1,496,667
	<u>35,260,928</u>	<u>35,459,167</u>
Subsidiaries:		
Loans fr banks & other financial institutions:		
Foreign currency with various interest rates	21,407,650	18,041,456
Philippine Peso with various interest rates	11,055,236	11,020,041
Bonds:		
Due 2012	228,945	194,600
Due 2013	8,267,288	8,212,027
Floating Rate Corporate Notes (FRCNs)	10,000	10,000
FXCNs	14,505,000	5,380,000
	<u>55,474,119</u>	<u>42,858,124</u>
	<u>90,735,047</u>	<u>78,317,291</u>
Less current portion	<u>10,739,103</u>	<u>11,237,343</u>
	<u>79,995,944</u>	<u>67,079,948</u>

12. Other Current/Noncurrent Liabilities

Other Liabilities consists of deposits from commercial center tenants and sale of condominium/subdivision lots and long-term retention payables and deferred credits. A detailed breakdown is unavailable since the Company's consolidation process is based only on the various group companies' financial statements and not on their trial balances. Obtaining said details would involve an unreasonable effort and/or expense since the accounts' changes since the end of the most recent calendar year are not significant.

13. 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-up Capital
As of January 31, 2011	1,200,000	5,800,000	200,000	24,784,980	231,114	6,243,383	(604,011)	37,855,466
Issuance of shares	-	-	-	5,693	1,935	30,408	652	38,688
As of March 31, 2011	1,200,000	5,800,000	200,000	24,790,673	233,049	6,273,791	(603,359)	37,894,154
As of January 31, 2010	1,200,000	5,800,000	-	24,773,540	235,251	6,080,755	(611,671)	37,477,875
Collection of subscriptions receivable	-	-	-	-	-	27,504	7,793	35,297
As of March 31, 2010	1,200,000	5,800,000	-	24,773,540	235,251	6,108,259	(603,878)	37,513,172

Dividends

	Three months ended March 31	
	2011	2010
	(In thousands)	
Dividends to common shares		
Cash dividends declared during the period	-	-
Cash dividends per share	-	-
Stock dividends	-	-
Dividends to equity preferred declared during the period	270,338	270,338

14. The following table presents information necessary to calculate EPS:

	Three months ended March 31	
	2011	2010
	(In thousands except EPS figures)	
Net income applicable to common	2,450,495	2,112,092
Less Dividends on Preferred stocks	(270,338)	(270,338)
Net Income Applicable to Common	2,180,157	1,841,754
Weighted average number of common shares	485,336	496,984
Dilutive shares arising from stock options	2,116	1,794
Adjusted weighted average number of common shares for diluted EPS	487,452	498,778
Basic EPS	4.49	3.71
Diluted EPS	4.47	3.69

Three months ended March 31

	2011	2010
(In thousands except EPS figures)		
Income before income associated with noncurrent assets held for sale	3,901,609	3,053,375
Less income before income associated with noncurrent assets held for sale associated to minority interests	(1,451,114)	(941,283)
Less dividends on preferred stock	(270,338)	(270,338)
	<u>2,180,157</u>	<u>1,841,754</u>
Weighted average number of common shares for basic EPS	485,336	496,984
Dilutive shares arising from stock options	2,116	1,794
Adjusted weighted average number of common shares for diluted EPS	487,452	498,778
Basic EPS	4.49	3.71
Diluted EPS	4.47	3.69

15. 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:

- Real estate and hotels - planning and development of large-scale fully integrated residential and commercial communities; 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 upper middle-income and affordable housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.
- Financial services and bancassurance - universal banking operations, including savings and time deposits in local and foreign currencies; commercial, consumer, mortgage and agribusiness loans; leasing; payment services, including card products, fund transfers, international trade settlement and remittances from overseas workers; trust and investment services including portfolio management, unit funds, trust administration and estate planning; fully integrated bancassurance operations, including life, non-life, pre-need and reinsurance services; internet banking; on-line stock trading; corporate finance and consulting services; foreign exchange and securities dealing; and safety deposit facilities.
- Telecommunications - provider of digital wireless communications services, wireline voice communication services, consumer broadband services, other wireline communication services, domestic and international long distance communication or carrier services and mobile commerce services.
- Electronics - electronics manufacturing services provider for original equipment manufacturers in the computing, communications, consumer, automotive, industrial and medical electronics markets, service provider for test development and systems integration and distribution of related products and services.
- Information technology and BPO services - venture capital for technology businesses and emerging markets; provision of value-added content for wireless services, on-line business-

to-business and business-to-consumer services; electronic commerce; technology infrastructure hardware and software sales and technology services; and onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, IT support, graphics, advertising production, marketing and communications, human resources, sales, retention, technical support and customer care areas.

- Water utilities - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services in the East Zone Service Area.
- Automotive - manufacture and sale of passenger cars and commercial vehicles.
- International - investments in overseas property companies and projects.
- Others - air-charter services, agri-business and others.

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 Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

The following tables present revenue and net income information regarding business segments for the three months ended March 31, 2011 and 2010 and total assets and total liabilities for the business segments as of March 31, 2011 and December 31, 2010 :

March 2011
(in thousands)

	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecom munications	Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others	Intersegment Eliminations	Consolidated
INCOME											
Sales to external customers	7,233	9,723,571	-	-	2,584,110	5,393,054	224,134	1,822	2,541,422		20,475,346
Intersegment	35,861	320,873	-	-	27,312	-	6,108	-	12,391	(402,545)	-
Equity in net earnings of associates and jointly controlled entities	(1,713)	185,977	958,100	950,604	(1,024)	-	(229,027)	(5,806)	(8,128)		1,848,983
Interest income	270,983	240,363	-	-	58,250	3,795	12,491	4,553	535	(4,520)	586,450
Other income	72,916	119,065	-	-	(44,106)	75,734	33,534	307,264	46,807		611,214
Total income	385,280	10,589,849	958,100	950,604	2,624,542	5,472,583	47,240	307,833	2,593,027	(407,065)	23,521,993
Operating Expenses	379,147	7,516,917	-	-	1,379,626	5,424,269	274,221	49,153	2,558,186	(370,555)	17,210,964
Operating profit	6,133	3,072,932	958,100	950,604	1,244,916	48,314	(226,981)	258,680	34,841	(36,510)	6,311,029
Interest expense and other financing ch	571,765	484,343	-	-	289,831	9,695	2,504	5,524	2,528	(4,520)	1,361,670
Other charges	13,140	123,856	-	-	-	2,136	-	728	3,319	-	143,179
Provision for income tax	47,926	592,095	-	-	233,591	31,628	4,959	(6,587)	12,214	(11,255)	904,571
Net income	(626,698)	1,872,638	958,100	950,604	721,494	4,855	(234,444)	259,015	16,780	(20,735)	3,901,609
Other information											
Segment Assets	108,717,176	123,978,839	-	-	73,314,823	15,816,995	2,495,778	5,155,429	3,232,519	(77,550,488)	255,161,071
Investments in associates and jointly controlled entities	51,646,473	11,276,771	-	-	(1,024)	-	6,918,813	2,128,066	322,742		72,291,841
Deferred tax assets	736	2,023,023	-	-	410,224	5,009	-	-	27,178	243,459	2,709,629
Total Assets	160,364,385	137,278,633	-	-	73,724,023	15,822,004	9,414,591	7,283,495	3,582,439	(77,307,029)	330,162,541
Segment liabilities	53,145,847	68,006,953	-	-	32,162,630	8,028,697	289,864	2,990,262	1,542,809	(11,039,454)	155,127,608
Deferred tax liabilities	-	602,819	-	-	5,230,359	12	4,102	7,354	4,937		5,849,583
Total Liabilities	53,145,847	68,609,772	-	-	37,392,989	8,028,709	293,966	2,997,616	1,547,746	(11,039,454)	160,977,191

March 2010
(in thousands)

	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecom munications	Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others	Intersegment Eliminations	Consolidated
INCOME											
Sales to external customers	24,810	8,800,279	-	-	820,006	4,188,270	198,125	845	3,224,105		17,256,440
Intersegment	-	8,353	-	-		-	(1,474)	-	(220)	(6,659)	-
Equity in net earnings of associates and jointly controlled entities	212,476	146,483	915,152	917,156		-	(256,360)	34,275	16,034		1,985,216
Interest income	241,507	178,203	-	-	38,517	5,866	29,103	858	13,288	(1,376)	505,966
Other income	195,818	104,639	-	-	43,541	151,865	(3,934)	20,819	48,633	(34,899)	526,482
Total income	674,611	9,237,957	915,152	917,156	902,064	4,346,001	(34,540)	56,797	3,301,840	(42,934)	20,274,104
Operating Expenses	411,725	6,997,570	-	-	361,645	4,156,344	259,749	63,456	3,210,379	(33,319)	15,427,549
Operating profit	262,886	2,240,387	915,152	917,156	540,419	189,657	(294,289)	(6,659)	91,461	(9,615)	4,846,555
Interest expense and other financing ch	452,514	354,433	-	-	121,994	8,028	2,427	6,581	308	1,376	947,661
Other charges	113,143	66,377	-	-	-	878	-	151	3,903	-	184,452
Provision for income tax	40,381	444,641	-	-	94,624	53,354	2,727	1,692	21,372	2,276	661,067
Net income	(343,152)	1,374,936	915,152	917,156	323,801	127,397	(299,443)	(15,083)	65,878	(13,267)	3,053,375

December 2010

(in thousands)

	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecom munications	Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others	Intersegment Eliminations	Consolidated
Other information											
Segment Assets	108,855,532	112,035,771	-	-	70,664,757	15,501,750	2,419,367	4,630,257	3,073,310	(76,346,697)	240,834,047
Investments in associates and jointly controlled entities	51,346,763	10,846,046	-	-	5,595	-	7,152,191	2,323,414	330,870	-	72,004,879
Deferred tax assets	736	2,917,311	-	-	31,627	5,049	-	-	26,629	(232,204)	2,749,148
Total Assets	160,203,031	125,799,128	-	-	70,701,979	15,506,799	9,571,558	6,953,671	3,430,809	(76,578,901)	315,588,074
Segment liabilities	54,376,004	56,234,114	-	-	30,106,266	7,488,329	353,207	2,939,373	1,654,722	(10,243,267)	142,908,748
Deferred tax liabilities	-	977,161	-	-	4,899,775	-	4,111	7,213	5,182	-	5,893,442
Total Liabilities	54,376,004	57,211,275	-	-	35,006,041	7,488,329	357,318	2,946,586	1,659,904	(10,243,267)	148,802,190

16. Financial Instruments

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

Cash and cash equivalents, short-term investments and current receivables - Carrying amounts approximate fair values due to the relative short-term maturities of these investments.

Financial assets at FVPL - These are investments in government securities. Fair value is based on quoted prices.

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 equity shares - Fair values are based on quoted prices published in markets.

AFS unquoted shares - The fair value of unquoted shares are not reasonably determinable due to the unpredictable nature or future cash flows and the lack of suitable methods of arriving at a reliable fair value.

HTM investments - The fair value of bonds is based on quoted market prices.

Liabilities - 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.

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.

Risk Management and Financial Instruments

In line with its corporate governance infrastructure, Ayala adopted a group-wide enterprise risk management framework in 2002. The Audit and Risk Committee approved the Enterprise Risk Management Policy in 2003 and regularly reviews and updates it. The policy enhances the risk management process and institutionalizes a focused and disciplined approach to managing the company's business risks. The risk management policy was updated in 2008 following the framework and standards recommended by the Committee of Sponsoring Organization.

The risk management framework covers the following:

- Identification and assessment of business risks;
- Development of risk management strategies;
- Assessment, design, and implementation of risk management capabilities;
- Monitoring and evaluation of risk mitigation strategies and management performance; and
- Identification of areas and opportunities for improvement in the risk management process.

The Audit and Risk Committee provides oversight of the risk management function.

In 2008, a more focused enterprise risk management framework was rolled out with the help of an external consultant. This included a formal risk-awareness session and self-assessment workshops with the functional units of the company. The Audit and Risk Committee has initiated efforts to institutionalize an enterprise risk management function across all the subsidiaries and affiliates.

In May 2010, the Chief Finance Officer was appointed as the Chief Risk Officer (CRO) in concurrent capacity.

The CRO oversees the risk management function and provides periodic reports on risk management initiatives and mitigation efforts to the Audit and Risk Committee.

At present, the policy, procedures and processes are under study for further enhancement and a review of the assessment done in 2008 will be undertaken in 2011. The work is in progress and the company shall continue to engage external technical support as it deems necessary to strengthen its Enterprise Risk Management expertise and capabilities.

Ayala's internal auditors monitor the compliance with risk management policies to ensure that an effective control environment exists within the entire Ayala group.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of financial assets at FVPL, AFS financial assets, HTM investments, 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, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Group also enters into derivative transactions, the purpose of which is to manage the currency and interest rate risk arising from its financial instruments.

The Group's risk management policies are summarized below:

Interest Rate Risk

The Group's exposure to market risk for changes in Interest rates relates primarily to the Company's and its subsidiaries' long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Foreign Exchange Risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso (PHP) against the United States Dollar (USD). The Company may enter into foreign currency forwards and foreign currency swap contracts in order to hedge its USD obligations.

The table below summarizes the Group's exposure to foreign exchange risk as of March 31, 2011.

	March 2011	
	US\$	Php Equivalent
Assets		
Cash and cash equivalents	145,728	6,326,660
Short-term investments	14,795	641,954
Accounts and notes receivables	5,630	244,554
Other current assets	4,418	191,714
Investment in bonds and other securities	772	33,479
Other noncurrent assets	3,405	147,730
Total assets	174,748	7,586,090
Liabilities		
Accounts payable and accrued expenses	1,705	74,034
Other current liabilities	-	-
Short-term debt	20,155	874,515
Long-term debt	279,565	12,130,324
Other noncurrent liabilities	52,734	2,288,270
Total liabilities	354,158	15,367,144
Net foreign denominated liabilities	(179,410)	(7,781,054)

The table below summarizes the exposure to foreign exchange risk of the subsidiaries with functional currency of US\$ (in thousands).

Foreign currency	March 2011	
	Net asset (liabilities)	US\$ equivalent
Philippine peso (PhP)	(796,207)	(17,745)
Japanese yen (JPY)	(243,550)	(2,991)
Australian dollar (AUD)	(200)	(203)
Euro	266	355
Malaysian rupee (MYR)	9,058	2,991
Singapore dollar (SGD)	10,224	8,357
Chinese RMB (RMB)	61,098	9,293
Hongkong dollar (HKD)	108,339	13,914
Thai baht (THB)	141,715	3,565

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar 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).

Currency	Increase (decrease) in Peso per foreign currency depreciation (appreciation)	Effect on profit before tax
US\$	PhP 1.00	(179,410)
	-1.00	179,410

Currency	Increase (decrease) in USD per foreign currency depreciation (appreciation)	Effect on profit before tax
PhP	US\$1.00	(US\$ 796,207)
	-1.00	796,207
JPY	1.00	(243,550)
	-1.00	243,550
SGD	1.00	10,224
	-1.00	(10,224)
THB	1.00	141,715
	-1.00	(141,715)
HKD	1.00	108,339
	-1.00	(108,339)
RMB	1.00	61,098
	-1.00	(61,098)
MYR	1.00	9,058
	-1.00	(9,058)
Euro	1.00	266
	-1.00	(266)
AUD	1.00	(200)
	-1.00	200

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

Liquidity Risk

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 Company 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

The Group's holding of cash and short-term investments exposes the Group to credit risk of the counterparty. Credit risk management involves dealing only with institutions for which credit limits have been established. The treasury policy sets credit limits for each counter party. Given the Group's diverse base of counterparties, it is not exposed to large concentration of credit risk.

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

Consolidated Sales and Services in the first quarter of 2011 increased by 19% year-on-year to P20.5 billion. This was mainly driven by Ayala Land, Inc. (ALI) with strong revenues from its Alveo and Avida brands as well as higher commercial leasing revenues. Strong revenue growth of Integrated Microelectronics, Inc.'s (IMI) Singapore and China operations also pushed sales and services higher. This quarter's sales and services also takes into account the full consolidation of Manila Water Co. (MWC) thus reflecting MWC's sales for the full quarter compared to only a month of sales in the first quarter of 2010 as consolidation started in March of 2010. Attributable consolidated net income rose by 16% in the first quarter of the year to P2.45 billion from P2.11 billion in the same period last year.

ALI's revenues reached P10.6 billion, up 15% year-on-year driven by robust residential and higher commercial leasing revenues. Residential revenues grew by 18% fuelled by the strong take-up and bookings across all residential brands. The company launched a total of 4,511 units during the quarter mostly from Alveo and Avida. Commercial leasing revenues increased by 16% largely from the 11% growth of shopping center revenues and the 25% rise in office leasing. Both posted higher lease rates as well as improving occupancy rates. Revenues from its Hotels and Resorts portfolio also improved by 16% with the consolidation of its acquisition of 60% of El Nido Resorts which added 150 island resort rooms to its current portfolio. Revenues from Services, however, which include its construction arm were lower year-on-year given its deliberate move to focus on internal ALI group projects. ALI's net income in the first quarter was at its highest in seven quarters at P1.62 billion, 36% higher than same period last year.

IMI's revenues increased by 35% to US\$122 million with the strong performance of its Singapore and China operations. However, net income declined by 8% to US\$ 3.2 million. The increase in turnkey operations which now account for 80% of revenues combined with higher direct material cost contributed to the margin pressure and earnings decline.

MWC's first quarter revenues rose by 5% year-on-year to P2.7 billion. This growth was due to the impact of an 11% increase in tariff and a 6% increase in household connections during the period. Operating expenses increased mildly by 4% with well-controlled overhead and manpower costs. Operating efficiency improved versus prior year as non revenue water of 11.9% was better than the 14.2% in the first quarter of 2010. Net income, however, declined by 3% to P817 million largely as a result of mark-to-market losses realized on its bond. Excluding this, core income was up 11% to P1.5 billion.

Equity in Net Earnings

Equity in Net Earnings amounted to P1.85 billion in the first quarter, 7% lower than the P1.98 billion in the first quarter of 2010. Equity earnings from Bank of the Philippine Islands and Globe Telecom as well as ALI's associates and joint ventures increased, but this was offset by the absence of equity earnings from MWC after its full consolidation.

Bank of the Philippine Islands registered first quarter net income of P2.9 billion, up 4% year-on-year. Its revenues rose by 6% due mainly to higher interest income which grew by 15% to P6.3 billion as average asset base expanded by 12%. Loan growth remained healthy with net loans up 13% due to strong middle market/SME and consumer loans which rose by 22% and 15%, respectively. Loans to corporate likewise grew albeit at a milder pace of 6%. Non-interest income, however, contracted by 9% due to lower gains from securities trading and foreign exchange and miscellaneous income. The bank's total resources increased by 9% to P761 billion as deposits grew by 8% to P604 billion, while assets under management increased by 40% following its acquisition of the trust and investment management business of ING Manila.

Globe Telecom sustained its turnaround and posted record quarterly revenues of P16.5 billion in the first quarter, 8% higher year-on-year. The growth was driven by the continued uptick in its mobile business as well as the sustained growth momentum of the broadband segment. Mobile revenues rose by 4% driven by a 10% growth in postpaid revenues and a 2% increase in pre-paid. Broadband and fixed line revenues grew by 26% with broadband achieving a 52% increase year-on-year.

Globe's mobile subscriber base further increased to 27.3 million, a 14% expansion year-on-year while broadband subscribers rose by 40% to nearly 1.2 million. Subscriber growth improved with the launch of new and relevant services that allowed subscribers greater flexibility to customize their plans. Globe's net income of P3 billion was the highest in the past seven quarters and was also 30% higher than the prior quarter.

Interest and Other Income

Interest and other income increased by 16% to P587 million due mainly to higher funds invested by ALI and reflecting as well the full quarter interest income of MWC compared to only one month in the first quarter of 2010. The P288 million gain realized from Ayala's exchange of ownership in Arch Capital Management with the Rohatyn Group likewise pushed other income higher.

Costs and Expenses

Consolidated costs and expenses increased by 14% to P19.6 billion, substantially below the rate of growth of sales and services. This reflects the impact of cost containment measures implemented particularly by ALI and MWC.

General and Administrative Expenses

Consolidated general and administrative expenses increased by 35% to P2.9 billion, largely reflecting the inclusion of MWC's full quarter's GAE compared to only a month's GAE in the first quarter of 2010.

Interest and Other Charges

Consolidated interest and other charges increased by 44% to P1.36 billion mainly due to higher interest expense of ALI and AC as a result of higher loan balances. This also included the consolidation of MWC's interest expense for a full quarter which amounted to P290 million compared to only P122 million reflected in the first quarter of 2010.

Balance Sheet Highlights

Total assets grew by 5% to P330.1 billion as of March 31, 2011. Consolidated cash and short-term investments increased by 11% during the quarter to P63.7 billion from P57.1 billion at the beginning of the year. This was due to proceeds from funding raised by ALI and MWC in anticipation of capital expenditures planned to pursue their respective growth plans. Consolidated debt likewise increased by 15% to P95.5 billion. Consolidated current ratio and debt to equity ratio remain healthy at 2.15:1.0 and 0.88:1.0, respectively as of the end of the quarter.

Key Performance indicators:

For the balance sheet items (current ratio and debt to equity ratios), the company aims to maintain for its current ratio not to be lower than 0.5:1 and for its debt to equity ratio not to exceed 3:1. The company and its subsidiaries' ratios are considered better than these levels as a result of prudent debt management policies.

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

	<u>YTD March 31, 2011</u>	<u>YTD March 31, 2010</u>
Revenue	23,522 million	20,274 million
Net income	2,450 million	2,112 million
Basic earnings per share 1/	4.49	3.71
	<u>As of March 31, 2011</u>	<u>As of March 31, 2010</u>
Current Ratio 2/	2.15	1.89
Debt-to-Equity Ratio 3/	0.88	0.77

- 1/ *Net income applicable to common shareholders / weighted average number of common shares*
- 2/ *Current assets / current liabilities*
- 3/ *Short-term debt, current & non-current long-term debt / equity attributable to equity holders of the parent*

- 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 company does not expect any liquidity problems and is not in default of any financial obligations.

- 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.

For year 2011, Ayala Land's consolidated budget for project and capital expenditures amount to P32.6 billion. About 46% is earmarked for residential developments, 14% for offices, 13% for shopping centers, and the balance for hotels and resorts, commercial and industrial lot development, land acquisition, and other land development activities in the Company's strategic landbank areas. This will be financed through a combination of internally-generated funds, borrowings and pre-selling.

For the first three months of 2011, ALI's consolidated project and capital expenditures amounted to P5.7 billion, about 17% of the P32.6 billion budget for the whole year. About 68% was spent for residential projects, 14% for shopping centers, 10% for hotels and resorts, and the balance spent on offices, commercial and industrial lot development, land acquisition, and other land development activities in the Company's strategic landbank areas.

MWCI expects 11.7 billion capital expenditures in 2011 for the rehabilitation and construction of facilities to improve water and sewer services in the East Zone Service Area. These will be funded from the current cash reserves, internal funds generation and proceeds of available loan facilities.

At the parent Company level, projected capital expenditure will be at P8.1 billion to complement allotment by its major subsidiaries, all to address opportunities in the existing market and certain new sectors.

- 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. Interest rate movements may affect the performance of the real estate, banking and automotive groups, including the Company.

- 2.6 Any significant elements of income or loss that did not arise from the registrant's continuing operations
None

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

**Balance Sheet items
(March 31, 2011 Vs. December 31, 2010)**

Cash and cash equivalents – 17% increase from P53,143mln to P61,997mln

Dividends received net of dividends paid, reclassification from short-term investments and disbursements to fund various investments by the parent company. Also contributing were proceeds from loans, improvement in sales partially offset by investments of the real estate group; proceeds from new loans of the water utilities group; however offset by investments of the international operations group. As a percentage to total assets, cash and cash equivalents decreased to 19% from 17% as of March 31, 2011 and December 31, 2010, respectively.

Short-term investments – 58% decrease from P3,994mln to P1,694mln

Money market placements with maturity of more than 3 months up to 6 months. Decrease mainly on reclassification by the parent company; the real estate and water utilities groups. As a percentage to total assets, short-term investments is at 1.0% as of March 31, 2011 and December 31, 2010.

Accounts receivable – 5% increase from P26,184mln to P27,376mln

Increase due to the higher sales of the real estate, electronics and automotive groups. This account is at 8% of the total assets as of March 31, 2011 and December 31, 2010.

Inventories – 5% increase from P18,375mln to P19,362mln

Increase due to the reclassification from land and improvements to saleable inventories and developments in new and existing projects of the real estate group; higher inventory of the electronics and automotive groups. This account is at 6% of the total assets as of March 31, 2011 and December 31, 2010.

Other current assets – 63% increase from P6,912mln to P11,233mln

Increase due to the higher prepaid expenses arising from new projects offset by matured fixed income securities of the real estate group; acquisition of certain investments of the international operations group. This account is at 3% and 2% of the total assets as of March 31, 2011 and December 31, 2010, respectively.

Noncurrent accounts and notes receivable – 5% decrease from P4,793mln to P4,560mln

Better collection of receivables and sales mix of the real estate group. Non current accounts and notes receivable is at 1% and 2% of the total assets as of March 31, 2011 and December 31, 2010, respectively.

Intangible assets – 6% increase from P3,083mln to P3,259mln

Mainly caused by recording of preliminary goodwill arising from acquisition by a subsidiary under automotive and others group. As of March 31, 2011 and December 31, 2010, this account is at 1% of the total assets, respectively.

Other noncurrent assets – 24% decrease from P2,587mln to P1,976mln

Primarily caused by the revaluation of foreign denominated accounts of the water utilities group combined with booking of loans-acquisition related costs by the parent company. Other noncurrent assets remained at 1% of the total assets as of December 31, 2010.

Short-term debt – 5% increase from P4,519mln to P4,763mln

Mainly caused by availments of the real estate and automotive groups to support higher sales and inventory purchases, respectively. Short-term debt remained at 3% of the total assets as of March 31, 2011 and December 31, 2010.

Income tax payable – 59% increase from P441mln to P701mln

Higher taxable income of most of the subsidiaries. As a percentage to total liabilities, this account is at 0.4% and 0.3% as of March 31, 2011 and December 31, 2010, respectively.

Service concession obligation – current portion – 42% increase from P794mln to P1,128mln

A liability account of the water utilities group which was fully consolidated starting 2010. Increase was mainly due to higher computed and actual obligation due within one year. This account is at 1% of the total liabilities as of March 31, 2011 and December 31, 2010.

Other current liabilities – 11% decrease from P2,631mln to P2,338mln

Mainly settlement of accounts by the real estate group. Other current liabilities account is at 1% and 2% of the total liabilities as of March 31, 2011 and December 31, 2010.

Non-current portion of long-term debt – 19% increase from P67,080mln to P79,996mln

Mainly new loans availed and new notes payable/bonds issued by the real estate and water utilities groups offset by payments of loans made by the parent company and international operations group. As of March 31, 2011 and December 31, 2010, current portion of long-term debt is at 50% and 45% of the total liabilities, respectively.

Service concession obligation – non-current portion – 13% decrease from P7,026mln to P6,101mln

A liability account of the water utilities group which was fully consolidated starting 2010. This account, with a balance of P7,026mln, is at 4% and 5% of the total liabilities as of March 31, 2011 and December 31, 2010, respectively.

Pension liabilities – 6% increase from P340mln to P361mln

Largely on account of full consolidation of the water utilities group offset by adjustment from recent actuarial valuation of the parent company. This account stood at 0.2% of the total liabilities as of March 31, 2011 and December 30, 2010, respectively.

Other noncurrent liabilities – 11% increase from P10,942mln to P12,143mln

Largely due to higher customers' and tenants' deposit arising from better sales of real estate group. As a percentage to total liabilities, this account slightly increased from 8% to 7% as of March 31, 2011 and December 31, 2010, respectively.

Net unrealized gain on available-for-sale financial assets – 62% decrease from P1,129mln to P424mln

Mainly due to decline in the market prices of securities held by the financial services group.

Equity reserve – 19% increase from P148mln to P177mln

Arising from business combination transactions of real estate, electronics and water utilities group.

Treasury stock – 6% increase from P4,832mln to P5,143mln

Mainly due to continuous share buy-back program of the company

Income Statement items

(YTD March 31, 2011 Vs YTD March 31, 2010)

Sales and services – 19% increase from P17,256mln to P20,475mln

Improved sales performance of real estate, electronics and water utilities groups plus effect of full consolidation of the water utilities group for three months in 2011 vs. one month in 2010 offset by lower sales performance of the automotive and others group. As a percentage to total revenues, sales and services is 87% to 85% in 2009 and 2010, respectively.

Equity in net earnings of associates and jointly ventures – 7% decrease from P1,985mln to P1,849mln

Reduction mainly due to full consolidation of the water utilities group. As a percentage to total revenues, this account is 8% to 10% in 2011 and 2010, respectively.

Interest income – 16% increase from P506mln to P586mln

Improved income arising from higher investible funds by real estate and water utilities groups. This account is 2% of the total revenue in 2011 and 2010.

Other income – 16% increase from P526mln to P611mln

Increase due to investment gains of the international operations group offset by lower other income by the parent company. This account is at 3% of the total revenue in 2011 and in 2010, respectively.

Costs of sales and services – 8% increase from P13,226mln to P14,241mln

Increase attributable to higher sales of the real estate, electronics and water utilities groups; offset partially by lower costs of automotive and others group. Cost of sales account is at 76% and 80% of total costs and expenses in 2011 and 2010.

General and administrative – 35% increase from P2,202mln to P2,970mln

Increase mainly due to impact of consolidating water utilities group for whole quarter vs. its one month consolidated results in 2010. General and administrative expense is at 16% and 13% of the costs and expenses in 2011 and 2010.

Interest expense and other financing charges – 44% increase from P948mln to P1,362mln

Increase mainly due to higher borrowings of the real estate and water utilities groups. This expense classification accounts for 7% and 6% of costs and expenses in 2011 and 2010.

Other charges – 22% decrease from P184mln to P143mln

Decrease mainly on lower provisions by the international group. This expense classification accounts for 1% of costs and expenses in 2011 and 2010.

Provision for income tax – 37% increase from P661mln to P905mln

Primarily due to higher taxable income of the real estate, electronics and water utilities groups on account of better sales and other operating results.

2.8 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.

In the case of MWCI, except for the usually higher demand during summer months of April and May, it does not have seasonality of operation.

For the other subsidiaries, there is no significant seasonality that would materially affect their operations.

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

ALI raised Php10 billion through an issuance of fixed-rate corporate notes consisting of Php5.7 billion in 5-year notes, Php3.3 billion in 10-year notes and Php1.0 billion in 15-year notes with interest rates of 5.625%, 6.875% and 7.500%, respectively.

ALI secured a 7.4-hectare property along Katipunan Avenue in Quezon City through a long-term lease with the University of the Philippines for a mixed-use retail and office development.

Signed MoA between Alveo and the Philippine Racing Club, Inc. for the joint development of a 21-hectare property in Makati (former Sta. Ana racetrack).

Divestment of ALI's 17% effective stake in ARCH Capital Management Co., Ltd and ARCH Capital Asian Partners, G.P.

3.0 Other material events or transactions during the interim period.

PART II – OTHER INFORMATION

1. The annual meeting of stockholders of Ayala Corporation was held at the grand Ballroom of the Hotel InterContinental Manila on April 18, 2011.
2. The Board of Directors at its special meeting held on February 22, 2011 approved the following:
 - a. The increase of the authorized capital stock from P37 billion to P56.2 billion through the increase in the number of common shares from 596,000,000 shares to 900,000,000 shares with a par value of P50 per share, and the creation of 40,00,000 Series C preferred shares with par value of P100 per share and the same basic features as the Series A and Series B preferred shares.
 - b. The amendment of Article VII of the Articles of Incorporation to reflect the increase and other changes in the capital stock as stated above.
 - c. The declaration of a 20% stock dividend to all common stockholders to be issued from the issuance in authorized capital stock of the Corporation.
 - d. The increase in the compensation of non-executive directors from P11M to P2.4M effective 2011-2012 board term.
 - e. The amendment of (i) Article IV, Section 21 of the By-laws to authorize the Board to fix the compensation of directors subject to certain limits, and (ii) Article III, Section 3 of the By-laws to provide for electronic communication to shareholders.
3. Ayala Corporation (AC) and Ayala Land, Inc. (ALI) exchanged their ownership interests in ARCH Capital Management Company Limited (ARCH Capital) and ARCH Capital Asian Partners, G.P., (together ARCH) with the Rohatyn Group (TRG), resulting in TRG acquiring AC's and ALI's combined 50% interest in ARCH.
4. Ayala Corporation posts 37% increase in profits to P11.2B in 2010.
5. The Board of Directors at its regular meeting held on March 14, 2011 approved the following:
 - a. The offer and issuance of the Ayala Peso Multiple Puttable Bonds (the Bonds) in the principal amount of P6 Billion with an oversubscription of up to P4 Billion.
 - b. The exercise of the call option on the Preferred B shares on the 5th year from Issue Date of the said shares or on July 21, 2011. The Preferred B shares shall be redeemed at a redemption price equal to the Issue price plus all accrued and unpaid dividends up until July 21, 2011 based on the dividend rate of 9.4578% per annum.
 - c. The declaration and payment of the annual cash dividends of 5.2817% per annum to all shareholders of the company's outstanding unlisted Voting preferred Shares with record date of April 26, 2011 and payment date of May 20, 2011.
6. Ayala Corporation, through Michigan Power, Inc., a 100%-owned subsidiary, acquired a 50% effective stake in Northwind Power Development Corporation (Northwind). Northwind owns and operates the 33-MW wind farm located in Bangui Bay, Ilocos Norte.
7. Ayala Corporation on March 14, 2011 filed with the Securities and Exchange Commission the Registration Statement covering the offering and issuance of the Ayala Peso Fixed Rate Multiple Put Bonds in the principal amount of P6 Billion, with an oversubscription option of up to P4 Billion.
8. Ayala Corporation reported various purchases of common shares pursuant to the share buyback program approved by the Board of Directors on 10 September 2007, 02 June 2010 and 10 December 2010.

SIGNATURES

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

Registrant **AYALA CORPORATION**

By:



RUFINO F. MELO III
Authorized Signatory
Managing Director and Controller
(Principal Accounting Officer)

Date: May 13, 2011



AYALA CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES (Based on Unaudited Figures)
As of March 31, 2011
(In Thousand Pesos)

	Up to 6 months	Over 6 Mos. to One year	Over One Year	Past Due	TOTAL
Trade Receivables	14,217,983	2,596,920	2,761,477	319,140	19,895,520
Non-Trade Receivables	7,743,178	2,491,485	1,798,488	7,226	12,040,377
Total	21,961,161	5,088,405	4,559,965	326,366	31,935,897