



16 February 2009

Securities & Exchange Commission

Attn.: Director Justina F. Callangan
Corporation & Finance Department
S.E.C. Building, EDSA
Mandaluyong City

Philippine Stock Exchange

Attn.: Atty. Pete M. Malabanan
Head - Disclosure Department
4/F PSE Center, Exchange Road
Ortigas Center, Pasig City

Philippine Dealing & Exchange Corporation

Attn.: Mr. Cesar B. Crisol
President and Chief Operating Officer
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Subject: **AYALA CORP. ENDS 2008 WITH CONSOLIDATED NET INCOME OF P8.1 BILLION**

Gentlemen:

Ayala Corporation reported an unaudited consolidated net income of P8.1 billion for 2008. This was 50% lower than in 2007 as equity earnings from its operating units dropped to P7.8 billion and as capital gains from share sales declined by 63%.

Listed units Ayala Land, Bank of the Philippine Islands (BPI), Globe Telecom, and Manila Water all posted positive results. However, the uncertainties spawned by the global financial crisis as well as some non-recurring items weighed on earnings.

Ayala realized capital gains of P2.7 billion in 2008. In 2007 it booked a record P7.3 billion in gains as the company took advantage of higher asset prices that year to realize values from some of its long-held investments. These value realization efforts, combined with several successful fund raising initiatives in 2008, allowed Ayala to raise its cash to a level of P25 billion by year-end. This would position the company appropriately for potential acquisition opportunities amidst deflating asset prices. Ayala's net debt has consistently declined over the few past years putting the net debt to equity ratio by year-end at 0.09 to 1.

Ayala Corporation President and Chief Operating Officer, Fernando Zobel de Ayala, commented, "While the operating environment is and will continue to be challenging, these distressed conditions also present opportunities. We continue to explore these and have ensured sufficient liquidity across the group to pursue any compelling opportunity on top of our committed growth targets in the short to medium term."

Ayala's real estate unit, Ayala Land, Inc., posted record earnings of P4.8 billion in 2008, 10% higher than the prior year as demand for its middle and affordable residential brands, Alveo and Avida, remained healthy. Higher completion rate for its construction projects also boosted consolidated revenues, which increased by 31% to P33.7 billion. Revenues from its shopping centers and corporate business segments grew by 3% and 10%, respectively, with the strong performance of Market!Market!, Alabang Town Center and TriNoma, and incremental contribution from newly opened malls. Its headquarter and BPO offices continued to achieve high lease and occupancy rates as well as increased gross leasable area with the completion of 6 BPO buildings at UP Technohub, which were substantially leased by year-end.

Its banking unit, BPI, achieved good business volume growth. Loans expanded by an unprecedented 17%, driven by strong demand from corporate and retail consumers. This was the second straight year BPI posted double-digit loan growth. Despite the growth in loans, asset quality continued to improve with net 30-day non-performing loans ratio down to 2.9%. BPI's deposit base expanded by 5% to hit P540 billion by year-end, with total customer funds and assets held in trust up by 8.9%. The bank's remittance business also saw strong growth, up 35%, with volume reaching US\$4.4 billion, significantly outpacing the industry's 15%. BPI's net income however fell by 36% to P6.4 billion due to a P2.8 billion decline in securities trading income and a P1.3 billion decline in non-recurring investment income of the insurance subsidiaries, which included a gain from the sale of the Ayala Life Building as well as sale of shares the prior year. BPI's capital adequacy ratio of 14.1% remains well above the 10% regulatory minimum. Last December, the bank successfully issued P5 billion in 10-year subordinated debt eligible as Lower Tier 2 capital.

Globe Telecom's revenues remained steady amidst slowing domestic consumption. Consolidated revenues reached P62.9 billion from P63.2 billion the prior year. Wireless revenues were flat amidst a 22% growth in its subscriber base while revenues from its wireline business increased by 7%, driven by its corporate data and broadband businesses. Globe's broadband subscriber base grew by 84% in 2008 with the highest net adds noted in the fourth quarter. Higher operating expenses capped EBITDA but EBITDA margin remained high at 59% as costs arising from broadband investments lowered margins. Wireless EBITDA margin continues to be robust at 65% while wireline EBITDA margins have been under pressure given the dynamics of the start-up broadband business. This put Globe's net income 15% lower in 2008 to P11.3 billion. Globe's free cash flow remains strong. It recently declared its first semi-annual cash dividend of P32 per share, which puts Globe among the highest in dividend yields in the Philippine Stock Exchange.

Ayala's equity earnings from companies under its AC Capital division declined, weighed by non-recurring losses from its electronics unit, Integrated Microelectronics, Inc. (IMI), AG Holdings and BPO companies under Livelt. This offset the positive earnings contribution of its water and automotive dealership businesses.

IMI's revenues expanded by 5% in 2008 due to strong double-digit growth of its operations in China and Singapore which offset slower volumes from Philippine and US operations. Increased business with a leading Chinese telecommunications company and new customer programs cushioned the impact of the general slowdown in demand. IMI's operating income remained positive at US\$18 million, however, a non-recurring loss from currency hedging contracts as well as a one-time provision for manpower expenses and inventory obsolescence expenses resulted in a US\$16 million loss in 2008. Excluding these non-recurring items, IMI's net income would have reached US\$32 million.

Manila Water reported a net income of P2.8 billion on the back of higher water sales volume complemented by further improvements in the company's operating efficiency. This was made possible through the company's intensive capex program. In 2008 alone, the company spent a total of P4.2 billion as it accelerated the implementation of expansion projects and invested in new systems and processes. Billed volume went up by 4% to 387 million cubic

meters as Manila Water expanded its customer base by 46,765 new household connections. In addition, the company managed to further reduce system losses by 6 percentage points to 19.6%, from a high of 63% in 1997. This is the first time that Manila Water has brought its level of water losses to below 20%, which is significantly better than most of the company's regional counterparts. The company also began construction on a number of sewerage treatment plants in 2008, with the aim of bringing sewerage coverage to 30% by 2012 from the present level of 16% for the East Zone.

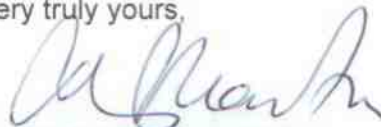
On a combined basis, the investee companies of Livelt, Ayala's BPO investment arm, recorded revenue growth in US dollar terms of 16%, and achieved revenues of P15.4 billion and EBITDA of P1.4 billion in 2008, Livelt's second full year of operations. The BPO units further diversified their client base in 2008 with eTelecare winning 11 new clients and 31 new programs, Integreon adding 14 new customers across the corporate, legal and financial services sectors, and Affinity Express now serving over 140 publications of seven of the top 25 newspaper companies in the US. However, they posted a combined net loss, of which Livelt's share was P874 million, due primarily to factors such as one-time non-recurring expenses related to the eTelecare tender offer, non-cash accounting charges, such as stock compensation expenses and the amortization of intangibles related to the investments in investee companies, and unfavorable foreign exchange forward contracts that eTelecare entered into. Livelt, together with Providence Equity Partners, completed the tender offer for eTelecare's common shares and American Depositary Shares last December resulting in the acquisition of 98.7% of eTelecare's shares. Overall, Ayala remains positive about the growth trajectory of the BPO sector. Ayala expects that, as in past recessions, outsourcing will continue to grow in the short term but at a slower pace, and then will experience accelerating growth in the medium to long term, as companies intensify their cost-cutting.

Mr. Zobel acknowledged, "The global crisis will no doubt further temper domestic consumption and will inevitably impact demand for some of the products and services of our operating units, in varying degrees. However, we remain optimistic that we can manage through the challenges given the solid business models of each of our operating units, their strong fundamentals and balance sheets, and dominant market positions."

Attached are Ayala Corporation's unaudited consolidated financial statements for your reference.

The above information is being submitted in compliance with the disclosure rules of the Securities and Exchange Commission and the Philippine Stock Exchange.

Very truly yours,



RUFINO LUIS MANOTOK
Senior Managing Director and CFO
Corporate Information Officer



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	Dec. 30, 2008	Dec. 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	42,885,792	36,835,549
Short-term investments	1,008,924	3,687,606
Accounts and notes receivable - net	23,156,747	16,822,874
Inventories	10,011,355	8,842,535
Other current assets	7,090,394	3,570,672
Total Current Assets	84,153,212	69,759,236
Noncurrent Assets		
Noncurrent accounts and notes receivable	6,821,284	4,010,373
Land and improvements	15,756,894	16,200,601
Investments in associates and jointly controlled entities - net	68,140,394	71,271,632
Investments in bonds and other securities	3,064,502	2,492,913
Investment properties - net	21,058,577	17,416,173
Property, plant and equipment - net	13,886,560	8,492,845
Deferred tax assets - net	1,132,847	983,565
Pension assets	117,388	140,576
Intangible assets - net	4,014,136	3,275,697
Other noncurrent assets	1,906,171	2,087,249
Total Noncurrent Assets	135,898,753	126,371,624
Total Assets	220,051,965	196,130,860
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	27,283,536	22,261,167
Short-term debt	2,755,447	2,634,148
Income tax payable	214,697	286,050
Current portion of long-term debt	1,478,871	9,512,760
Other current liabilities	1,753,530	1,550,482
Total Current Liabilities	33,486,081	36,244,607
Noncurrent Liabilities		
Long-term debt - net of current portion	50,250,151	37,884,705
Deferred tax liabilities	185,536	155,756
Pension liabilities	490,744	531,552
Other noncurrent liabilities	7,588,080	6,817,643
Total Noncurrent Liabilities	58,514,511	45,389,656
Total Liabilities	92,000,592	81,634,263
Equity		
Equity attributable to equity holders of Ayala Corporation		
Paid-up capital	37,234,578	26,855,394
Share-based payments	722,593	603,949
Cumulative translation adjustments	(968,778)	(2,297,077)
Retained earnings	61,604,465	60,172,621
Net unrealized gain on available-for-sale-investments	(631,127)	1,712,016
Parent Company preferred shares held by a subsidiary	(100,000)	-
Treasury stock	(550,540)	(159,693)
	97,311,191	86,887,210
Minority interests	30,740,182	27,609,387
Total Equity	128,051,373	114,496,597
Total Liabilities and Equity	220,051,965	196,130,860

XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands)

	Years Ended December	
	2008	2007
REVENUE		
Sales and services	64,052,828	56,578,214
Equity in net earnings of associates and jointly controlled entities	7,396,180	9,767,222
Interest Income	2,242,895	1,693,045
Other Income	5,416,750	10,728,375
	79,108,653	78,766,856
COSTS AND EXPENSES		
Costs of sales and services	50,014,366	43,169,110
General and administrative	9,485,514	9,498,306
Interest expense and other financing charges	4,937,108	4,120,160
Other charges	1,595,422	1,569,944
	66,032,410	58,357,520
INCOME BEFORE INCOME TAX	13,076,243	20,409,336
PROVISION FOR INCOME TAX	2,417,555	1,971,995
INCOME BEFORE INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE	10,658,688	18,437,341
INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE	-	624,788
NET INCOME	10,658,688	19,062,129
ATTRIBUTABLE TO:		
Equity holders of Ayala Corporation	8,108,597	16,256,601
Minority interests	2,550,091	2,805,528
	10,658,688	19,062,129