COVER SHEET

AYALA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

33/F TOWER ONE, AYALA TRIANGLE AYALA AVENUE, MAKATI CITY

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

Victoria D. Frejas

Contact Person

908-3429

Company Telephone Number

0 9 **3 0**

Month *Day*

Fiscal Year

1 7 - Q

Month *Day*

Annual Meeting

Secondary License Type, if Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

7 6 6 3

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SEC No.
File No. _____

AYALA CORPORATION

(Company's Full Name)

Tower One, Ayala Triangle
Ayala Avenue, Makati City

(Company's Address)

848-56-43

(Telephone Number)

September 30, 2010

(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: **September 30, 2010**

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*	486,095,304

*Net of 14,153,984 treasury shares

Amount of debt outstanding as of September 30, 2010: **P80.7 billion**

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

A total of 495,179,690 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, 2009.

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 [**x**] No [ ]

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

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PART I – FINANCIAL INFORMATION
Item I - Financial Statements

AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of September 30, 2010 and December 31, 2009
(Amounts in Thousands)

	September 2010 (Unaudited)	December 2009 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**55,923,692**	45,656,889
Short-term investments (Note 5)	**2,476,425**	4,560,976
Accounts and notes receivable - net (Note 6)	**26,368,469**	25,232,799
Inventories (Note 8)	**16,597,848**	10,797,048
Other current assets	**6,369,593**	6,547,004
Total Current Assets	**107,736,027**	92,794,716
Noncurrent Assets		
Noncurrent accounts and notes receivable	**4,030,023**	2,657,623
Land and improvements - net	**14,733,654**	17,582,562
Investments in associates and jointly controlled entities-net (Note 9)	**73,029,666**	71,556,952
Investment in bonds and other securities (Note 7)	**5,134,897**	3,543,458
Investment properties - net	**29,501,399**	29,089,730
Property, plant and equipment - net	**9,081,281**	7,771,863
Deferred tax assets - net	**1,865,079**	1,395,992
Pension assets	**125,770**	132,419
Intangible assets - net	**38,586,233**	4,611,884
Other noncurrent assets	**2,332,789**	1,341,836
Total Noncurrent Assets	**178,420,791**	139,684,319
Total Assets	**286,156,818**	232,479,035
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**31,638,852**	27,664,537
Short-term debt (Note 11)	**3,877,367**	2,638,658
Income tax payable	**616,923**	506,114
Current portion of long-term debt	**5,499,737**	2,453,144
Other current liabilities (Note 12)	**3,718,494**	2,821,932
Total Current Liabilities	**45,351,373**	36,084,385
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 11)	**71,350,941**	51,431,583
Deferred tax liabilities	**195,812**	207,425
Pension liabilities	**248,106**	228,312
Other noncurrent liabilities (Note 12)	**18,221,663**	9,109,180
Total Noncurrent Liabilities	**90,016,522**	60,976,500
Total Liabilities	**135,367,895**	97,060,885
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 13)	**37,814,475**	37,477,875
Share-based payments	**1,139,966**	1,059,588
Cumulative translation adjustment	**(1,709,390)**	(1,351,334)
Retained earnings	**71,546,844**	65,739,096
Net unrealized gain/(loss) on available -for-sale financial assets	**735,194**	123,916
Effect of change in ownership interests in subsidiaries	**151,032**	-
Parent Company preferred shares held by subsidiaries	**(250,000)**	(100,000)
Treasury stock	**(4,623,815)**	(688,714)
	104,804,306	102,260,427
Noncontrolling interests	**45,984,617**	33,157,723
Total Equity	**150,788,923**	135,418,150
Total Liabilities and Equity	**286,156,818**	232,479,035

See accompanying Notes to Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Nine Months Ended September 30, 2010 and September 30, 2009
(In Thousand Pesos)

	2010		2009	
	July to Sept	Jan to Sept	July to Sept	Jan to Sept
INCOME				
Sales and Services	19,052,586	55,821,554	17,027,033	45,871,831
Equity in net earnings of associates and jointly controlled entities	1,888,666	5,028,658	1,403,799	5,737,501
Interest income	554,703	1,705,093	633,438	1,940,493
Investment and other income	716,250	3,850,158	894,481	1,835,359
	22,212,205	66,405,463	19,958,751	55,385,184
COSTS AND EXPENSES				
Cost of sales and services	12,900,697	39,064,345	13,723,569	36,535,172
General and administrative	2,989,655	9,284,737	2,115,420	6,578,646
Interest expense and other financing charges	1,479,167	4,104,312	935,987	3,224,144
Other charges	(456)	705,310	246,310	246,310
	17,369,063	53,158,704	17,021,286	46,584,272
INCOME BEFORE INCOME TAX	4,843,142	13,246,759	2,937,465	8,800,912
Provision for income tax	1,087,166	2,686,284	436,827	1,289,138
NET INCOME	3,755,976	10,560,475	2,500,638	7,511,774
ATTRIBUTABLE TO:				
Equity holders of Ayala Corporation	2,361,476	6,782,184	1,711,937	5,782,089
Noncontrolling interests	1,394,500	3,778,291	788,701	1,729,685
	3,755,976	10,560,475	2,500,638	7,511,774
EARNINGS PER SHARE (Note 14)				
Basic		12.14		9.99
Diluted		12.10		9.96

See accompanying Notes to Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Periods Ended Septmeber 30, 2010 and 2009
(Amounts in thousands)

	2010		2009	
	July to Sept	**Jan. to Sept**	**July to Sept**	**Jan. to Sept**
NET INCOME FOR THE PERIOD	3,755,976	10,560,475	2,500,638	7,511,774
Other comprehensive income:				
Exchange differences arising from translations of foreign investments	(726,813)	(459,539)	(484,756)	(214,379)
Changes in fair value of available-for-sale invesment in equity securities	154,930	215,844	52,844	803,719
Share of other comprehensive income of associates:				
Exchange differences arising from translations of foreign investments	(6,530)	(22,989)	620	(203,658)
Changes in fair value of available-for-sale invesment in equity securities	164,777	443,927	192,644	257,356
Other comprehensive income for the period	(413,636)	177,243	(238,648)	643,038
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,342,340	10,737,718	2,261,990	8,154,812
Total comprehensive income attributable to:				
Equity holders of the parent	2,045,095	7,035,405	1,616,128	6,576,885
Minority interest	1,297,245	3,702,313	645,862	1,577,927
	3,342,340	10,737,718	2,261,990	8,154,812

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of September 30, 2010 and 2009

(Amounts in thousands)

	Paid-up Capital	Share-based Payments	Cumulative Translation Adjusments	Retained Earnings	Net Unrealized gain on Available for Sale-Financial Assets	Effect of Change in Ownership Interests in Subsidiaries	Parent Company Preferred Shares Held by Subsidiaries	Treasury Stock	Noncontrolling Interests	Total Equity
At January 1, 2010	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	-	-	-	6,782,184	-	-	-	-	3,778,291	10,560,475
Other comprehensive income	-	-	(358,056) `		611,278	-	-	-	(75,979)	177,243
Total comprehensive income	-	-	(358,056)	6,782,184	611,278	-	-	-	3,702,312	10,737,718
Collection of subscriptions receivable	132,927	-	-	-	-	-	-	-	-	132,927
Issuance of shares	203,673	-	-	-	-	-	-	-	-	203,673
Cost of share-based payments of Parent	-	67,975	-	-	-	-	-	-	-	67,975
Cost of share-based payments of investees	-	12,403	-	-	-	-			34,279	46,682
Adjustment during the period	-	-	-	-	-	151,032	(150,000)	(3,935,101)	10,220,733	6,286,664
Dividends on common shares	-	-	-	(974,436)	-	-	-	-	(1,130,430)	(2,104,866)
At September 30, 2010	**37,814,475**	**1,139,966**	**(1,709,390)**	**71,546,844**	**735,194**	**151,032**	**(250,000)**	**(4,623,815)**	**45,984,617**	**150,788,923**
At January 1, 2009	37,251,714	705,457	(968,778)	61,604,466	(631,127)		(100,000)	(550,540)	30,740,182	128,051,374
Net Income				5,782,089						5,782,089
Other comprehensive income			**(377,973)**		**1,172,769**				**1,577,927**	2,372,723
Total comprehensive income	-	-	(377,973)	5,782,089	1,172,769	-	-	-	1,577,927	8,154,812
Additions to subscriptions receivable	(173,145)	-	-	-	-		-	-	-	(173,145)
Issuance/subscriptions of shares	334,112									334,112
Cost of share-based payments of investees	-	106,856	-	-	-		-	-	-	106,856
Increase during the period	-	-	-	-	-		-	-	372,234	372,234
Dividends on common shares	-	-	-	(997,596)	-		-	-	-	(997,596)
Dividends on preferred shares				(944,215)						(944,215)
At September 30, 2009	**37,412,681**	**812,313**	**(1,346,751)**	**65,444,744**	**541,642**	**-**	**(100,000)**	**(550,540)**	**32,690,343**	**134,904,432**

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2010 and 2009
(In Thousand Pesos)

	Sept. 30, 2010	Sept. 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	13,246,759	8,800,912
Adjustments for:		
Interest and other financing charges	4,104,312	3,224,144
Depreciation and amortization	4,270,533	2,281,466
Cost of share-based payments	114,657	106,856
Equity in net earnings of associates and joint ventures	(5,028,658)	(5,737,501)
Other investment income	(2,634,911)	(269,780)
Gain on sale of assets	(97,780)	(456,343)
Interest income	(1,705,093)	(1,940,493)
Operating income before changes in working capital	12,269,819	6,009,261
Decrease (increase) in:		
Accounts and notes receivable	(1,719,524)	(3,143,910)
Inventories	(5,859,194)	940,426
Other current assets	1,026,978	1,194,986
Increase (decrease) in:		
Accounts payable and accrued expenses	2,736,672	386,341
Net pension liabilities	26,443	54,343
Other current liabilities	814,195	(24,505)
Cash generated from operations	9,295,390	5,416,942
Interest received	1,962,591	1,687,768
Interest paid	(4,122,778)	(3,406,454)
Income tax paid	(3,056,175)	(1,139,475)
Total cash provided by (used in) operating activities	4,079,029	2,558,781
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	16,131,537	2,788,547
Disposal of property, plant and equipment	(1,152,695)	5,152,039
Maturities of (additions to) short-term investments	3,727,734	844,196
Additions to:		
Investments	(15,556,780)	(14,397,600)
Property, plant and equipment	(2,034,028)	(929,771)
Dividends received from associates and jointly controlled entities	5,042,714	4,573,306
Decrease (increase) in other noncurrent assets	(622,586)	360,462
Acquisiiton through business combination	2,746,980	
Net cash provided by (used in) investing activities	8,282,876	(1,608,821)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term and long-term debt	13,262,158	11,900,270
Issuance of shares	203,673	90,701
Collections of (additions to) subscription receivable	132,927	70,266
Payment of short-term and long-term debt	(4,987,195)	(8,286,352)
Dividends paid	(3,911,461)	(3,025,755)
Acquisition of treasury shares	(3,935,101)	0
Parent Co. preferred shares held by subsidiaries	(150,000)	0
Effect of change in ownership interests in subsidiaries	151,032	0
Increase (decrease) in:		
Other noncurrent liabilities	915,296	1,172,569
Noncontrolling interests in consolidated subsidiaries	(3,776,431)	443,654
Net cash provided by (used in) financing activities	(2,095,102)	2,365,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,266,803	3,315,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	45,656,889	42,885,792
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**55,923,692**	**46,201,105**

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, 2009 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, 2009.

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 12 May 2010, the Audit Committee approved and authorized the release of the accompanying unaudited condensed financial statements of Ayala Corporation and Subsidiaries.

2. Significant Accounting Policies

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year except 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 and 2009. The Group will also adopt several amended and revised standards and interpretations in 2012.

PAS 1, *Presentation of Financial Statements*
The revised standard introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Standard also requires additional requirements in the presentation of the statements of financial position and owner's equity as well as additional disclosures to be included in the financial statements. The Group elected to present two statements, a consolidated statement of income and a consolidated statement of comprehensive income. The consolidated financial statements have been prepared following the revised disclosure requirements.

PAS 23, *Borrowing Costs*
The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. It has been the Group's policy to capitalize borrowing costs, and as such, adoption of this revised standard did not have any impact on the consolidated financial statements.

PFRS 8, *Operating Segments*

PFRS 8 replaced PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated statements of financial position and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group has enhanced its current manner of reporting segment information to include additional information used by management internally. Segment information from prior years was restated to include additional information.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire. The Group does not grant loyalty award credits to customers. As such, adoption of this Interpretation did not have any impact on the consolidated financial statements.

Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. Adoption of this Interpretation did not have any impact on the consolidated financial statements.

Amendment to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) Instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) Instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) Instruments in the subordinate class have identical features; (d) The instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) Total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument. Adoption of these amendments did not have any impact on the consolidated financial statements.

Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* and PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS. The Amendments to PAS 27 has changes in respect of the holding companies' separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss.

However, the payment of such dividends requires the entity to consider whether there is any indicator of impairment. The new requirement does not have an impact on the consolidated financial statements.

Amendments to PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
This Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation. Adoption of this revised standard did not have any impact on the consolidated financial statements.

Amendment to PFRS 7, *Financial Instruments: Disclosures*
The amended PFRS 7 requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures as follows: (a) exclusion of derivative liabilities from maturity analysis unless the contractual maturities are essential for an understanding of the timing of the cash flows; and (b) inclusion of financial guarantee contracts in the contractual maturity analysis based on the maximum amount guaranteed. The fair value measurement disclosures are presented in Note 30 to the consolidated financial statements while the current liquidity risk disclosures are not significantly impacted by the amendments.

Amendment to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments: Recognition and Measurement*
These amendments require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract.
PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as fair value through profit or loss. Adoption of these amendments did not have any impact on the consolidated financial statements.

Improvements to PFRS
In May 2008 and April 2009, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each Standard. These amendments are effective beginning January 1, 2009. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the consolidated financial statements.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
  When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a noncontrolling interests in the subsidiary after the sale.

- PAS 1, *Presentation of Financial Statements*
  Assets and liabilities classified as held for trading are not automatically classified as current in the consolidated statement of financial position.

- PAS 16, *Property, Plant and Equipment*

This amendment replaces the term ‘net selling price’ with ‘fair value less costs to sell’, to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*.

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

- PAS 18, *Revenue*
  The amendment adds guidance (which accompanies the Standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  a. has primary responsibility for providing the goods or service;
  b. has inventory risk;
  c. has discretion in establishing prices; and,
  d. bears the credit risk

  The Group assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

- PAS 19, *Employee Benefits*
  Revises the definition of ‘past service cost’ to include reduction in benefits related to past services (‘negative past service cost’) and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

  It revises the definition of ‘return on plan assets’ to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.

  Revises the definition of ‘short-term’ and ‘other long-term’ employee benefits to focus on the point in time at which the liability is due to be settled and it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 23, *Borrowing Costs*
  Revises the definition of borrowing costs to consolidate the types of items that are considered components of ‘borrowing costs’, i.e., components of the interest expense calculated using the effective interest rate method.

- PAS 28, *Investments in Associates*
  If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
  Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

- PAS 31, *Interests in Joint Ventures*
  If a joint venture is accounted for at fair value in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint

venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 36, *Impairment of Assets*
  When discounted cash flows are used to estimate 'fair value less costs to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

- PAS 38, *Intangible Assets*
  Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

  It deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit-of-production method.

- PAS 39, *Financial Instruments: Recognition and Measurement*
  Changes in circumstances relating to derivatives, specifically derivatives designated or de-designated as hedging instruments after initial recognition are not reclassifications.

  When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.

  It removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.

  It requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Property*
  It revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

- PAS 41, *Agriculture*
  It removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.

  It removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Effective in 2010

Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*
The revised PFRS 3 and revised PAS 27 will be effective for annual periods beginning on or after July 1, 2009. Revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results the period that an acquisition occurs, and future reported results. Revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be

allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'); even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively, while changes introduced by revised PAS 27 must be applied retrospectively with a few exceptions. The changes will affect future acquisitions and transactions with noncontrolling interest.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items*
The Amendment to PAS 39 will be effective for annual periods beginning on or after July 1, 2009. This Amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. This amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*
IFRIC 17 will be effective for annual periods beginning on or after July 1, 2009. This Interpretation provides guidance on the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners: (a) distributions of non-cash assets (e.g. items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5; and (b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative. The Group does not expect the Interpretation to have an impact on the consolidated financial statements.

Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
This Interpretation will be effective for annual periods beginning on or after July 1, 2009. This Interpretation is to be applied prospectively to transfers of assets from customers received on or after July 1, 2009. The Interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. When the transferred item meets the definition of an asset, the asset is measured at fair value on initial recognition as part of an exchange transaction. The service(s) delivered are identified and the consideration received (the fair value of the asset) allocated to each identifiable service. Revenue is recognized as each service is delivered by the entity.

Amendments to *PFRS 2, Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2, *Share-based Payments* is effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group as the Group has not entered into any such share-based payment transactions.

Improvements to PFRS
The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning January 1, 2010 except as otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the consolidated financial statements.

- PFRS 2, *Share-based Payment*
  The Amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3. The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
  The Amendment clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those

set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segment Information*
  The Amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*
  The Amendment clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*
  The Amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*
  The Amendment removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either ‘finance’ or ‘operating’ in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*
  The Amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*
  The Amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*
  The Amendment clarifies the following:
  i. that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  ii. that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
  iii. that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
  The Amendment clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*
  The Amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Philippine Interpretation (IFRIC) 19: *Extinguishing Financial Liabilities with Equity Instruments*
This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. The interpretation clarifies the requirements of PFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010 with earlier application permitted. It clarifies that:

- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability.
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

Amendment to PAS 32: *Classification of Rights Issues*
This amendment to PAS 32, *Financial Instruments: Presentation,* addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment issued today requires that, provided certain conditions are met, such rights issues are c lassified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after February 1, 2010, with earlier application is permitted.

Amendments to PFRS 1: *Additional Exemptions for First-Time Adopters*
These amendments to PFRS 1 *First-time Adoption of Philippine Financial Reporting Standards*, address the retrospective application of PFRSs to particular situations and are aimed at ensuring that entities applying PFRSs will not face undue cost or effort in the transition process. The amendments are effective for annual periods beginning on or after January 1, 2010, with earlier application permitted. The amendments specifically:

- exempt entities using the full cost method from retrospective application of PFRSs for oil and gas assets.
- exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 *Determining whether an Arrangement contains a Lease* when the application of their national accounting requirements produced the same result.

Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7Disclosuresfor First-time Adopters* - The amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced in Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*. It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to PFRS 7 provides to current PFRS preparers. Additionally, the amendment to PFRS 1 clarifies the IASB's conclusions and intended transition for Amendments to PFRS 7. The effective date of the amendment is July 1, 2010, with earlier application permitted.

<u>Future Changes in Accounting Policies</u>

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, *Agreements 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 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 Interpretation will be accounted for retrospectively, and will result to restatement of prior period financial statements. The adoption of this 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 Interpretation when it becomes effective in 2012.

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	
	30-Sep-10	31-Dec-09
Real Estate and Hotels:		
Ayala Land, Inc. (ALI) and subsidiaries *	53.2	53.3
Ayala Hotels, Inc. (AHI) and subsidiaries	76.6	76.7
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
LiveIT Solutions, Inc.	100.0	100.0
Technopark Land, Inc.	78.8	78.8
Integrated Microelectronics, Inc. (IMI) and subsidiaries**	66.8	67.8
Automotive:		
Ayala Automotive Holdings Corporation (AAHC) and subsidiaries	100.0	100.0
Water Utilities:		
Manila Water Company, Inc. (MWCI) and subsidiaries ***	43.1	31.5
Philwater Holdings Company, Inc. ***	100.0	60.0
Water Capital Works, Inc. ***	100.0	72.0
International and Others:		
Bestfull Holdings Limited (incorporated in HongKong) and subsidiaries (BHL Group)	100.0	100.0
AC International Finance Limited (ACIFL) and subsidiary (Cayman Island Company)	100.0	100.0
AYC Finance Ltd. (AYC) (Cayman Island Company)	100.0	100.0
Ayala Aviation Corporation	100.0	100.0
Darong Agricultural and Development Corporation	100.0	100.0
Michigan Holdings, Inc. and subsidiary	100.0	100.0
Purefoods International Ltd.	100.0	100.0

**The Company owns 75.26% of the total common and preferred shares of ALI.*

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

**** consolidated full line starting March 2010*

The Group, in various dates during the period, has increased ownership over certain companies allowing the Group control of these companies. This resulted in consolidation of the financial statements of these companies which were previously reported using equity method of accounting. These companies are: a) Manila Water Company, Inc. (effective March 2010); b) Philwater Holdings Company, Inc.(effective March 2010); c) Water Capital Works, Inc. (effective March 2010); and d) AY Saratoga, Inc., a subsidiary of BHL group (effective January 2010). In another transaction last February 2010, LIL, a subsidiary of AIVPL, lost control of Integreon resulting in the latter's financial reports being treated using equity method of accounting from the previous consolidation of Integreon's operations into the Group's financial statements.

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

	September 2010	December 2009
Cash on hand and in banks	9,343,703	3,960,792
Cash equivalents	46,579,989	41,696,097
	55,923,692	45,656,889

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):

	September 2010	December 2009
Money market placements	2,476,425	4,560,976

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):

	September 2010	December 2009
Trade:		
Real estate	12,973,614	13,011,442
Electronics manufacturing	3,795,583	3,881,439
Automotive	973,999	849,301
Information technology & business process outsourcing	71,251	877,188
International and others	979,904	3,803
Related parties	3,797,008	3,390,161
Advances to contractors	3,585,483	2,604,816
Investment in bonds classified as loans and receivables	200,000	200,000
Advances and others	5,037,617	3,445,254
	31,414,459	28,263,404
Less allowance for doubtful accounts	1,015,967	372,982
	30,398,492	27,890,422
Less noncurrent portion	4,030,023	2,657,623
	26,368,469	25,232,799

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

	September 2010	December 2009
Quoted/unquoted equity/debt investments	5,134,897	3,543,458

8. **Inventories** (in Thousand Pesos):

	September 2010	December 2009
Real estate inventories:		
Subdivision for sale	8,971,387	4,846,039
Condominium and commercial units for sale	4,801,908	3,521,952
Club shares at cost	212,296	242,320
Materials, supplies and others - at NRV (cost of P1,458,180 in 2010 and P1,473,369 in 2009)	1,296,497	1,215,129
Vehicles - at cost	688,615	398,849
Work in process - at cost	349,862	253,622
Finished Goods - at cost	184,832	222,446
Parts and accessories - at NRV (cost of P120,685 in 2010 and P124,925 in 2009)	92,451	96,691
	16,597,848	10,797,048

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 September 30, 2010 are as follows:

	Percentage of Ownership		**Carrying Amounts** (In Millions)	
	30-Sep-10	31-Dec-09	30-Sep-10	31-Dec-09
Domestic:				
Bank of the Philippine Islands and Subsidiaries (BPI)	33.5**	33.5**	P 34,220	P 29,406
Globe Telecom, Inc. and Subsidiaries (Globe) *	30.5	30.5	16,397	17,313
Stream Global Services, Inc. (Stream)	25.5	25.7	4,400	4,879
Manila Water Company, Inc. (MWCI) ***	0.0	31.5	-	4,308
Emerging City Holdings, Inc. (ECHI) *	50.0	50.0	3,439	3,371
Cebu Holdings, Inc. and Subsidiaries (CHI)	47.2	47.2	2,115	1,972
North Triangle Depot Commercial Corporation	49.2	49.0	1,485	1,417
Berkshire Holdings, Inc. (BHI) *	50.0	50.0	1,474	1,445
Philwater Holdings Company, Inc. ***	0.0	60.0	-	1,430
Bonifacio Land Corporation (BLC)	5.3	5.0	1,273	1,465
Asiacom Philippines, Inc. (Asiacom) *	60.0	60.0	918	887
Alabang Commercial Corporation (ACC) *	50.0	50.0	650	609
Foreign:				
Arch Asian Partners L.P.	19.2**	19.2**	2,078	1,437
Others	Various	Various	4,582	1,618
			73,030	71,557

** Jointly controlled entities.*
*** Effective ownership interest of the Company.*
**** Consolidated full- line starting March 2010.*

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

	SEPT. 30 2010 Unaudited	DECEMBER 31 2009 Audited
Total Resources	763,948	724,421
Total Liabilities	681,455	656,656
Capital Funds for Equity Holders	81,486	66,798
Noncontrolling interest	1,007	967
Total Liabilities and Capital Funds	763,948	724,421

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

	SEPT. 30 2010 Unaudited	DECEMBER 31 2009 Audited
Interest Income	26,854	33,887
Other Income	11,615	12,993
Total Revenues	38,468	46,880
Operating expenses	14,990	19,676
Interest expense	9,496	12,485
Provision and other expenses	2,527	2,535
Provision for Income Tax	2,219	3,519
Total Expenses	29,233	38,215
Net Income for the period	9,236	8,665
Attributable to:		
Equity holders of BPI	9,105	8,516
Noncontrolling Interest	131	149
	9,236	8,665
EPS: Based on 3,555,983K common shares as of September 30, 2010 and 3,246,597K common shares as of December 31, 2009	2.56	2.62

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

	SEPT. 30 2010 Unaudited	DECEMBER 31 2009 Audited
Total Current Assets	20,639	18,415
Non-current Assets	110,269	109,228
Total Assets	130,909	127,643
Current Liabilities	36,147	33,576
Non-current Liabilities	50,049	46,359
Stockholders' Equity	44,713	47,709
Total Liabilities & Stockholders' Equity	130,909	127,643

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

	SEPT. 30 2010 Unaudited	DECEMBER 31 2009 Audited
Net Operating Revenues	47,916	63,862
Other Income	966	1,945
Total Revenues	48,882	65,807
Costs and Expenses	38,181	47,834
Provision for Income Tax	3,254	5,404
Total Expenses	41,435	53,238
Net Income	7,447	12,569
EPS:		
Basic	56.00	94.59
Diluted	55.88	94.31

As of September 30, 2010
Basic based on 132,343K common shares
Diluted based on 133,266K common shares

As of December 31, 2009
Basic based on 132,342K common shares
Diluted based on 133,275K common shares

Below is Stream's balance sheet information (in Thousand US$ and Million Pesos):

	SEPTEMBER 30,2010 Unaudited		DECEMBER 31, 2009 Audited	
	In US $	In Php	In US $	In Php
Total Current Assets	230	10,093	227	10,505
Total Non-current Assets	420	18,426	453	20,949
Total Assets	650	28,519	680	31,454
Current Liabilities	117	5,147	115	5,329
Non-current Liabilities	267	11,714	262	12,108
Equity Holders	266	11,658	303	14,018
			-	-
Total Liabilities & Stockholders' Equity	650	28,519	680	31,454

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

	SEPTEMBER 30,2010 Unaudited		DECEMBER 31, 2009 Audited	
	In US $	In Php	In US $	In Php
Total Revenues	578	26,336	585	27,016
Costs and expenses	594	27,098	613	28,336
Provision for income tax	-	-	-	-
	594	27,098	613	28,336
Net Income	(16)	(762)	(28)	(1,320)
EPS:				
Basic	(0.56)	(25.44)	(3.46)	(159.85)
Diluted	(0.56)	(25.44)	(3.46)	(159.85)

As of September 30, 2010
Basic based on 79,861K common shares
Diluted based on 79,861K common shares

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

	September 2010	December 2009
Accounts payable	17,063,468	14,584,321
Accrued expenses	10,783,150	8,289,542
Dividends payable	293,795	2,264,306
Accrued personnel costs	628,324	427,502
Interest payable	384,010	402,278
Retention payable	675,147	120,938
Related parties	125,187	105,355
Taxes payable	1,685,771	1,470,295
	31,638,852	27,664,537

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):

	September 2010	December 2009
Short-term debt:		
Philippine Peso with various interest rates	2,990,204	1,669,875
Foreign Currency with various interest rates	887,163	968,783
	3,877,367	2,638,658
Long-term debt:		
The Company:		
Bank loans with various interest rates	6,985,000	6,985,000
Fixed Rate Corporate Notes (FXCNs)	11,440,000	11,485,000
Bonds, due 2012	6,000,000	6,000,000
Bonds, due 2017	10,000,000	-
Syndicated term loan	1,496,667	1,498,333
	35,921,667	25,968,333
Subsidiaries:		
Loans fr banks & other financial institutions:		
Foreign currency with various interest rates	16,439,146	10,724,816
Philippine Peso with various interest rates	7,692,452	7,759,743
Bonds:		
Due 2012	158,890	41,835
Due 2013	8,248,144	4,000,000
Due 2016	10,000	10,000
Fixed Rate Corporate Notes	5,380,000	5,380,000
Syndicated term loan	3,000,379	-
	40,929,011	27,916,394
	76,850,678	53,884,727
Less current portion	5,499,737	2,453,144
	71,350,941	51,431,583

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. 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	Voting Preferred Stock	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-up Capital
As of December 31, 2009	1,200,000	5,800,000		24,773,540	235,251	6,080,755	(611,671)	37,477,875
Issuance of shares			200,000	3,673				203,673
Collection of susbcriptions receivable	-	-		-	-	120,653	12,274	132,927
As of September 30, 2010	1,200,000	5,800,000	200,000	24,777,213	235,251	6,201,408	(599,397)	37,814,475
As of January 1, 2009	1,200,000	5,800,000	-	24,772,494	145,598	5,734,748	(401,125)	37,251,715
Exercise of ESOP/ESOWN	-	-	-	-	90,700	243,411	(173,145)	160,966
As of September 30, 2009	1,200,000	5,800,000	-	24,772,494	236,298	5,978,159	(574,270)	37,412,681

Dividends

	Nine months ended September 30	
	2010	2009
	(In thousands, except dividends per share)	
Dividends to common shares		
Cash dividends declared during the period	974,436	997,596
Cash dividends per share	P2.00	P2.00
Stock dividends	-	-
Dividends to equity preferred declared during the period	-	944,214

On December 10, 2009, the BOD approved the declaration and payment of the quarterly dividends to all shareholders of the Company's Preferred A and Preferred B shares for calendar year 2010.

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

	Nine months ended September 30	
	2010	2009
	(In thousands except EPS figures)	
Net income applicable to common	6,782,184	5,782,089
Less Dividends on Preferred stocks	(811,014)	(811,014)
Net Income Applicable to Common	5,971,170	4,971,075
Weighted average number of common shares	491,666	497,709
Dilutive shares arising from stock options	2,016	1,456
Adjusted wieghted average number of common shares for diluted EPS	493,682	499,165
Basic EPS	12.14	9.99
Diluted EPS	12.10	9.96

	Nine months ended September 30	
	2010	2009
	(In thousands except EPS figures)	
Income before income associated with noncurrent assets held for sale	10,560,475	7,511,774
Less income before income associated with noncurrent assets held for sale associated to minority interests	(3,778,291)	(1,729,685)
Less dividends on preferred stock	(811,014)	(811,014)
	5,971,170	4,971,075
Weighted average number of common shares for basic EPS	491,666	497,709
Dilutive shares arising from stock options	2,016	1,456
Adjusted weighted average number of common shares for diluted EPS	493,682	499,165
Basic EPS	12.14	9.99
Diluted EPS	12.10	9.96

15. Business Combinations

In March 2010, the Group has increased ownership of Manila Water Company, Inc. (MWCI) and Philwater Holdings Company, Inc. (Philwater) (see Note 3). The purchase allocation has been prepared on a preliminary basis as of September 30, 2010. The following is a summary of the provisional values of assets acquired and liabilities assumed as of the date of acquisition (in thousand pesos):

	MWCI	**Philwater**
Assets	43,758,407	2,568,983
Liabilities	26,941,505	55,425
Net assets	16,816,902	2,513,558
Amount attributable to shares acquired	566,875	1,005,423
Goodwill arising from acquisition	682,655	361,395
Total consideration	1,249,530	1,366,818

16. 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:

a. Real estate and hotels
b. Financial services and bancassurance
c. Telecommunications
d. AC Capital

- 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 commence services.

- AC Capital - the business unit that oversees the financial performance of subsidiaries other than the three major businesses of the Group. AC Capital also provides support to subsidiaries' growth initiatives and seeks new investment opportunities for the Group that will complement existing business and further enhance the Group's value. AC Capital has the following operating segments:

  - 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.

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 nine months ended September 30, 2010 and 2009 and total assets and total liabilities for the business segments as of September 30, 2010 and December 31, 2009 :

September 2010
(in millions)

	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecommunications	AC Capital					Intersegment Eliminations	Consolidated
					Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others		
REVENUE											
Sales to external customers	-	25,916	-	-	6,410	13,412	957	-	9,126	-	55,821
Intersegment	-	302	-	-	84	1	11	-	84	(481)	1
Equity in net earnings of associates and jointly controlled entities	9	684	3,053	2,290	195	-	(938)	(307)	43		5,029
Interest income	841	600			208	13	41	-	6	(4)	1,705
Other income	535	372			186	213	2,436	39	182	(113)	3,850
Total revenue	1,385	27,874	3,053	2,290	7,083	13,639	2,507	(268)	9,441	(598)	66,406
Operating Expenses	1,079	20,437			2,839	13,242	1,177	910	9,210	(545)	48,349
Operating profit	306	7,437	3,053	2,290	4,244	397	1,330	(1,178)	231	(53)	18,057
Interest expense and other charges	1,797	1,435			786	29	14	24	24	(4)	4,105
Other charges	-	-	-	-	-	-	-	705	-	-	705
Provision for income tax	141	1,561			792	135	7	2	55	(7)	2,686
Income before income associated with noncurrent assets held for sale	(1,632)	4,441	3,053	2,290	2,666	233	1,309	(1,909)	152	(42)	10,561
Net income	(1,632)	4,441	3,053	2,290	2,666	233	1,309	(1,909)	152	(42)	10,561
Other information											1
Segment Assets	44,710	108,452	-	-	45,685	13,140	2,354	3,238	3,119	(9,436)	211,262
Investments in associates and jointly controlled entities	50,683	11,474	-	-	-	-	8,133	2,415	325	-	73,030
Deferred tax assets	-	1,198	-	-	389	5	-	-	44	229	1,865
Total Assets	95,393	121,124	-	-	46,074	13,145	10,487	5,653	3,488	(9,207)	286,157
Segment liabilities	52,139	54,998	-	-	28,058	5,610	293	1,847	1,714	(9,487)	135,172
Deferred tax liabilities	-	177	-	-			9	5	5	-	196
Total Liabilities	52,139	55,175	-	-	28,058	5,610	302	1,852	1,719	(9,487)	135,368

September 2009
(in millions)

	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecommunications	AC Capital					Intersegment Eliminations	Consolidated
					Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others		
REVENUE											
Sales to external customers	-	21,201	-	-	-	13,546	2,862	-	8,263	-	45,872
Intersegment	-	(150)	-	-	-	-	27	-	-	123	-
Equity in net earnings of associates	-	-	-	-	-	-	-	-	-		
and jointly controlled entities *	23	526	2,305	3,002	716	-	(481)	(344)	(10)	-	5,737
Interest income	1,346	589	-	-	-	25	3	68	1	(91)	1,941
Other income	907	392	-	-	-	173	219	119	148	(123)	1,835
Total revenue	2,276	22,558	2,305	3,002	716	13,744	2,630	(157)	8,402	(91)	55,385
Operating Expenses	1,047	16,795	-	-	-	13,410	3,336	198	8,342	(14)	43,114
Operating profit	1,229	5,763	2,305	3,002	716	334	(706)	(355)	60	(77)	12,271
Interest expense and other charges	1,899	1,259	-	-	-	71	49	16	21	(91)	3,224
Other charges	-	246	-	-	-	-	-	-	-	-	246
Provision for income tax	176	937	-	-	-	136	27	(26)	25	14	1,289
Income before income associated with noncurrent assets held for sale	(846)	3,321	2,305	3,002	716	127	(782)	(345)	14	-	7,512
Net income	(846)	3,321	2,305	3,002	716	127	(782)	(345)	14	-	7,512

December 2009
(in millions)

Other information	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecommunications	Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others	Intersegment Eliminations	Consolidated
Segment Assets	102,302	98,700	-	-	-	14,019	6,248	4,276	2,862	(68,881)	159,526
Investments in associates and jointly controlled entities	52,517	10,798	-	-	-	-	5,341	2,531	370	-	71,557
Deferred tax assets		1,523	-	-	-	10	40		45	(222)	1,396
Total Assets	154,819	111,021	-	-	-	14,029	11,629	6,807	3,277	(69,103)	232,479
Segment liabilities	45,248	48,726	-	-	-	6,241	3,097	893	1,627	(8,979)	96,853
Deferred tax liabilities	-	151	-	-	-	5	42	5	5	-	208
Total Liabilities	45,248	48,877	-	-	-	6,246	3,139	898	1,632	(8,979)	97,061

17. 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

General

In line with the corporate governance infrastructure of the Company, the Company has adopted a group-wide enterprise risk management framework in 2002. An Enterprise Risk Management Policy was approved by the Audit Committee (the Committee) in 2003 and subsequently revised and approved on February 14, 2008. The policy was designed primarily to enhance the risk management process and institutionalize a focused and disciplined approach to managing the Company's business risks. By understanding and managing risks, the Company provides greater certainty and confidence to its shareholders, employees, customers and for the communities where the Company operates.

The risk management framework encompasses the following:

- identification and assessment of business risks;
- development of risk management strategies;
- assessment, design and implementation of risk management capabilities;
- monitoring and evaluating the effectiveness of risk mitigation strategies and management performance; and,
- identification of areas and opportunities for improvement in the risk management process.

A Chief Risk Officer is the ultimate champion of enterprise wide risk management and oversees the entire risk management function and is responsible for overall continuity. Beginning 2008, under its expanded charter, the Committee will provide a more focused oversight role over the risk management function. A quarterly report on the risk portfolio of the Group and the related risk mitigation efforts and initiatives are provided to the Committee.

The Company's internal audit monitors the compliance with the Group's risk management policies in order to ensure that an effective control environment exists within the Group as a whole.

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 in the Philippine Peso (PHP) against the United States Dollars (USD). The Company may enter into foreign currency forwards and foreign currency swap contracts in order to hedge its USD obligations.

As of September 30, 2010, the Company's net foreign denominated liabilities are estimated at USD289.8M with PHP12,723.7M peso equivalent. As of June 30, 2010, the Company's net foreign liabilities were estimated at USD226.2M with PHP10,489.3M peso equivalent (adjusted from the USD37.4M with PHP1,127.0M peso equivalent as previously reported). The current year's consolidation of MWCI into the Company's financial reports caused the significant increase from December 31, 2009 net foreign denominated liabilities.

The table below summarizes the Group's exposure to foreign exchange risk as of September 30, 2010.

The table below summarizes the Group's exposure to foreign exchange risk as of September 30, 2010.

	September 30, 2010	
	US$	**Php Equivalent**
Assets		
Cash and cash equivalents	172,775	7,581,930
Short-term investments	12,380	543,246
Accounts and notes receivables	9,866	432,179
Other current assets	24	1,064
Investment in bonds and other securities	5,978	262,333
Other noncurrent assets	1,488	65,290
Total assets	**202,511**	**8,886,041**
Liabilities		
Accounts payable and accrued expenses	4,583	204,537
Other current liabilities	83	3,657
Short-term debt	49,673	2,182,219
Long-term debt	366,294	16,072,977
Other noncurrent liabilities	71,704	3,146,376
Total liabilities	**492,337**	**21,609,766**
Net foreign denominated liabilities	**(289,826)**	**(12,723,724)**

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

	September 30, 2010	
Foreign currency	**Net asset (liabilities)**	**US$ equivalent**
Philippine peso (PhP)	(827,309)	(16,646)
Japanese yen (JPY)	(219,704)	(1,855)
Singapore dollar (SGD)	6,124	4,887
Thai baht (THB)	129,578	3,003
Hongkong dollar (HKD)	117,243	15,081
Chinese RMB (RMB)	76,605	11,261
Malaysian rupee (MYR)	8,693	2,808
Euro	273	366
Australian dollar (AUD)	17	33

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	(PhP289,826)
	-1.00	289,826

Currency	Increase (decrease) in USD per foreign currency depreciation (appreciation)	Effect on profit before tax
PhP	US$1.00	(US$827,329)
	-1.00	827,329
JPY	1.00	(219,704)
	-1.00	219,704
SGD	1.00	6,124
	-1.00	(6,124)
THB	1.00	129,578
	-1.00	(129,578)
HKD	1.00	117,243
	-1.00	(117,243)
RMB	1.00	76,605
	-1.00	(76,605)
MYR	1.00	8,693
	-1.00	(8,693)
Euro	1.00	273
	-1.00	(273)
AUD	1.00	17
	-1.00	(17)

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

Ayala Corporation reported first nine months' net income of P6.8 billion, 17% higher than earnings in the same period last year. Its property, banking and water businesses fuelled growth, offsetting the weakness in its telco unit. Nearly all businesses posted double-digit growth in earnings which resulted in a 26% increase in equity earnings to P8.6 billion.

Ayala Corporation President & COO, Mr. Fernando Zobel de Ayala noted, "We are encouraged by the strong growth trajectory of our core businesses. The favorable economic environment, robust domestic consumption, and low interest rate environment set the condition for rapid growth and expansion. The initiatives we have taken the past few years have clearly positioned our businesses to benefit from this renewed growth cycle."

Ayala Land's net income rose by 35% to a nine-month record high of P3.9 billion on strong revenue growth across all business lines. Residential revenues grew by 19% with take-up of projects doubling versus last year. Shopping center revenues also rose by 6% with the expansion of occupied gross leasable area (GLA) and steady occupancy rate across its shopping malls. Office building revenues rose by 12% as occupied GLA and leased-out rate in its BPO portfolio improved significantly while average lease rates remained steady. Higher revenues and better cost control translated to a substantial improvement in overall margins. Ayala Land continues to expand aggressively. This year it has launched 9 retail projects, 8 BPO buildings and around 8,400 residential units with a deep pipeline of project launches secured.

Bank of the Philippine Islands' net income grew by 24% year-on-year putting nine-month profit at P9.1 billion. The bank's push to broaden customer base resulted in strong loan and deposit growth. Net loans grew by 14% mainly from middle market/SMEs and consumer loans, while its deposit base increased by 19% year-on-year. Total revenues reached P10.8 billion, 34% higher than same period last year driven by higher net interest income and non-interest income which rose by 8% and 22%, respectively. Net interest income grew on an 11% increase in average asset base while non-interest income rose due to significant gains from securities trading, fee-based income, and foreign exchange transactions. BPI's asset quality is among the top. Its non-performing loan ratio declined further to 2.6%. BPI continues to pursue its growth strategy centered on more aggressive customer acquisition, prudent lending, and deeper cross selling penetration.

In its telco business, Globe Telecom's broadband business sustained its growth momentum in the first nine months of the year as broadband revenues grew by 84%, while its mobile postpaid business registered a 7% revenue growth. These effectively cushioned the impact of lower mobile prepaid revenues and combined put Globe's consolidated service revenues for the nine-month period at P45.8 billion, 2% lower than the same period last year. While Globe's mobile subscriber base continued to expand with mobile SIM base at 25.4 million and its SMS and voice traffic on the rise, intense price competition due to unlimited and bulk offers capped growth in the mobile prepaid segment. Its broadband subscribers, however, surpassed the 1 million mark. Globe maintains a healthy financial position with strong cash flows giving it room to sustain dividend flows and pursue initiatives that will sustain the growth momentum in broadband while recovering mobile revenue market share.

Ayala's water business posted strong revenue and net income growth. Revenues in the first nine months grew by 19% to P8.3 billion driven by a 4% increase in billed volume and a 9% increase in household connections from its expansion areas within in the concession zone. Its water concessions in Laguna and Boracay also improved revenue contribution. This was further boosted by favorable depreciation levels and regulatory costs brought about by the full implementation of the renewal of its concession agreement. Despite increased operating costs, net income jumped by 31% to P2.9 billion in the first nine months of the year. Continued investments in its network resulted in efficiency improvements. Non-revenue water or system losses were reduced further to 12.2% as of September from 15.4%. Its efficiency standards helped sustain service levels to customers, particularly during the height of the El Nino period early this year. While water supply has improved, the company continues to put in place mitigating measures to stem water supply challenges in the future. Manila Water is pursuing

development of other water supply sources to augment and diversify its water source. It is also progressing on new business development outside of its concession zone.
Electronics unit Integrated Microelectronics, Inc. (IMI) posted US$293 million in consolidated revenues for the first nine months of the year, a 4% increase due to the sustained strong performance of its China operations. China and Singapore operations posted US$185 million in revenues, 22% higher year-on-year and accounted for 63% of IMI's total revenues. This compensated for the 17% decline in revenues from its Philippine operations. IMI's net income reached US$5 million during the period, 36% higher than same period last year. IMI's diversification strategy has mitigated the impact of isolated business downturns. IMI continues to be in a robust financial position with cash of US$40M and low gearing levels that provide flexibility to support its expansion program. It recently completed the purchase of a 56% stake in PSi Technologies, Inc.

Ayala's automotive dealerships registered a 10% growth in revenues to P9 billion on account of higher unit sales, benefitting from the robust industry car sales. Ayala is the leading dealer of the Honda and Isuzu network in the Philippines with a 51% share of Honda network sales and 30% of Isuzu sales nationwide. Ayala Auto posted a 47% growth in net income to P245 million in the first nine months.

Ayala's BPO businesses under LiveIt delivered a net profit of P1.5 billion for the first 9 months of 2010, versus last year's loss. The positive result was primarily due to the revaluation gain of P2.3 billion recognized in the second quarter as result of a third party investment in Integreon. The combined revenue of the BPO businesses in the first 9 months was US$656 million, of which LiveIt's share was US$200 million, reflecting 32% growth over the same period last year. Combined EBITDA was US$45 million, of which LiveIt's share was US$11 million, reflecting 6% growth over the same period last year. LiveIt's share of EBITDA in 3Q2010 was $4.7 million, up 122% over 2Q2010.

The strong performance of these business units negated the impact of the P1.8 billion net loss of Ayala's international real estate unit, AG Holdings, which took impairment provisions in the first half of the year for certain real estate assets in North America. The company's Asian portfolio, however, yielded positive earnings in the first nine months as projects in Macau, Thailand, India, and China remain on track and continue to receive favorable market response.

Ayala ended the period with P30 billion in cash and net debt of P13 billion, keeping net debt to equity low at 12%. With its strong cash flow Ayala recently increased its buy-back program from P5 billion to P10 billion and is simultaneously exploring opportunities in the infrastructure space. The company announced that it recently forged an agreement with Mitsubishi Corporation to develop and test the technical and commercial feasibility of solar power generation in the Philippines.

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 innovative yet prudent debt management policies.

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

	YTD September 30, 2010	YTD September 30, 2009
Revenue	66,405 million	55,385 million
Net income	6,782 million	5,782 million
Basic earnings per share 1/	12.01	10.00

	As of September 30, 2010	As of September 30, 2009
Current Ratio 2/	2.38	2.62
Debt-to-Equity Ratio 3/	0.77	0.57

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 2010, ALI's consolidated budget for project and capital expenditures amount to P27.2 billion. About 54% is earmarked for residential developments, 15% for strategic landbank management, 13% for shopping centers, and the balance for corporate business, Visayas-Mindanao, and support businesses. This will be financed through a combination of internally-generated funds, borrowings, and pre-selling. For the first nine months of 2010, consolidated project and capital expenditures amounted to P14.0 billion, or 51% of the P27.2 billion budget for the whole year. About 47% was spent for residential projects, 19% for strategic landbank management and Visayas-Mindanao groups, 15% for hotels and the balance for shopping centers and corporate businesses.

For year 2010, MWCI expects ₱10.05 billion capital expenditures 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.

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
<u>(September 30, 2010 Vs December 31, 2009)</u>

<u>Cash and cash equivalents – 22% increase from P45,657mln to P55,924mln</u>
Inclusion of financial reports of the water utilities group effective March 2010. Dividends received net of dividends paid, proceeds from new loans availed and disbursements to fund various investments, shares buy-back and net interest expense by the parent company; proceeds from the liquidation of short-term investments and fixed income securities and collection of down payments from new projects of the real estate group. As a percentage to total assets, cash and cash equivalents remained at 20% as of December 31, 2009 and September 30, 2010.

<u>Short-term investments – 46% decrease from P4,561mln to P2,476mln</u>
Lower money market placements with maturity of more than 3 months up to 6 months by the real estate group partly offset by new placements by the parent company. As a percentage to total assets, short-term investments is at 0.9% and 2.0% as of September 30, 2010 and December 31, 2009, respectively.

<u>Current accounts and notes receivable – 5% increase from P25,233mln to P26,368mln</u>
Higher trade receivables by the real estate and automotive groups, inclusion of accounts of the water utilities group partly offset by the deconsolidation of a subsidiary of the information technology and BPO services group. As of September 30, 2010 and December 31, 2009, current accounts and notes receivable are at 9% and 11% of the total assets, respectively.

<u>Inventories – 54% increase from P10,797mln to P16,598mln</u>
Increase due to the reclassification from land and improvements to saleable inventories and developments in new and existing projects of the real estate group and higher inventory of the electronics group. This account slightly increased from 5% of the total assets as of December 31, 2009 to 6% as of September 30, 2010.

<u>Noncurrent accounts and notes receivable – 52% increase from P2,658mln to P4,030mln</u>
Higher trade receivables of the real estate group and inclusion of accounts of the water utilities group. Noncurrent accounts and notes receivable remained at 1% of the total assets as of September 30, 2010 and December 31, 2009.

<u>Land and improvements – 16% decrease from P17,583mln to P14,734mln</u>
Reclassification of the real estate group's developed projects to inventories. This account is at 5% of the total assets as of September 30, 2010 and 8% as of December 31, 2009.

<u>Investments in associates and jointly controlled entities – 2% increase from P71,557mln to P73,030mln</u>
Investments in associates and jointly controlled entities account includes the Company's and its subsidiaries' investments in various associates which are being accounted for under the equity method. These associates are Bank of the Philippine Islands and Globe Telecom, among others.

Investment in the water utilities group was previously accounted for using the equity method of consolidation. However, the increase in the parent company's ownerships in the water utilities companies in March 2010 warrants the full-consolidation of accounts. The change in accounting method resulted in the decrease in the investments in associates and jointly controlled entities account. This account is at 26% and 31% of the total assets as of September 30, 2010 and December 31, 2009, respectively.

Investment in bonds and other securities – 45% increase from P3,543mln to P5,135mln
Increase is largely due to the quoted and unquoted investments of the water utilities group which was included in the consolidation effective March 2010 and upward revaluation of available for sale financial assets held by the Parent Company. This account is at 2% of the total assets as of September 30, 2010 and December 31, 2009.

Property, plant and equipment – 17% increase from P7,772mln to P9,081mln
Attributable to the consolidation of the water utilities group and a new subsidiary under the international group partly offset by the deconsolidation of a subsidiary of the information technology and BPO services group. As of September 30, 2010 and December 31, 2009, the group's property, plant and equipment account remained at 3% of the total assets.

Deferred tax assets – 34% increase from P 1,396mln to P1,865mln
Due to the consolidation of accounts of the water utilities and unrealized gain of the real estate group on projects under construction. As of September 30, 2010 and December 31, 2009, this account is at 0.7% and 0.6% of the total assets, respectively.

Pension assets – 5% decrease from P 132mln to P126mln
Lower pension assets of the electronics group.

Intangible assets – 737% increase from P 4,612mln to P38,586mln
Mainly due to the service concession assets of the water utilities group. As of September 30, 2010 and December 31, 2009, this account is at 14% and at 2% of the total assets, respectively.

Other noncurrent assets – 74% increase from P 1,342mln to P2,333mln
Primarily due to the consolidation of financials of the water utilities group and increase in utility and other deposits by the real estate group. Other noncurrent assets is at 0.8% and 0.6% of the total assets as of September, 30 2010 and December 31, 2009, respectively.

Accounts payable and accrued expenses – 14% increase from P 27,665mln to P31,639mln
Due to the consolidation of financials of the water utilities group, increase in trade payables, accrued and taxes payable of the real estate group partly offset by the payment of dividends by the parent company, lower trade payables of the electronics group and deconsolidation of a subsidiary of the information technology and BPO services group. This account is at 23% and 29% of the total liabilities as of September, 30 2010 and December 31, 2009, respectively.

Short-term debt – 47% increase from P 2,639mln to P3,877mln
New loans availed by the real estate, automotive, electronics and international groups partly offset by the effect of deconsolidation of a subsidiary of the information technology and BPO services group. Short-term debt is at 3% of the total liabilities as of September 30, 2010 and December 31, 2009.

Income tax payable – 22% increase from P506mln to P617mln
Largely due to the consolidation of the water utilities group in 2010 partly offset by the decrease in the real estate group to due payments made. As a percentage to total liabilities, this account remained at 0.5% as of September 30, 2010 and December 31, 2009.

Current portion of long-term debt – 124% increase from P2,453mln to P5,500mln
Attributable to the effect of consolidating the accounts of the water utilities group and reclassification of maturing debt of the real estate group. As of September 30, 2010 and December 31, 2009, current portion of long-term debt is at 4% and 3% of the total liabilities, respectively.

Other current liabilities – 32% increase from P2,822mln to P3,718mln
Due to the consolidation of the water utilities group and higher customers deposits from new projects of the real estate group partly offset by the deconsolidation of a subsidiary of the international group. Other current liabilities account remained at 3% of the total liabilities as of September 30, 2010 and December 31, 2009.

Long-term debt – 39% increase from P51,432mln to P71,351mln

Mainly due to the consolidation of the water utilities group and new loans availed by the parent company partly offset lower long-term debt of the real estate group due to the reclassification to current portion of long-term debt. This account remained at 53% of the total liabilities as of December 31, 2009 and September 30, 2010.

Deferred tax liabilities – 6% decrease from P207mln to P196mln
Mainly due to the deconsolidation of a subsidiary of the information technology and BPO services group. As a percentage to total liabilities, this account is at 0.1% as of September 30, 2010 and 0.2% as of December 31, 2009.

Pension liabilities – 9% increase from P228mln to P248mln
Additional retirement contributions by the real estate group. This account remained at 0.2% of the total liabilities as of September 30, 2010 and December 30, 2009.

Other noncurrent liabilities – 100% increase from P9,109mln to P18,222mln
Primarily due to the consolidation of accounts of the water utilities group and unearned revenues and management fees by the real estate group. As a percentage to total liabilities, this account increased from 9% to 13% as of December 31, 2009 and September 3, 2010, respectively.

Share-based payments – 8% increase from P1,060mln to P1,140mln
Increase in share-based payments of the parent company, electronics, information technology and information technology and BPO services groups.

Cumulative translation adjustment – 26% increase from (P1,351mln) to (P1,709mln)
Mainly due to forex rate changes.

Retained earnings – 9% increase from P65,739mln to P71,547mln
2010 net income net of dividends declared.

Net unrealized gain on available-for-sale financial assets – 493% increase from P124mln to P735mln
Mainly due to improvement in the market prices of securities held by the group.

Effect of change in ownership interests in subsidiaries – 100% decrease from P-0- to P151mln
Effect of adopting revised PAS 27, Consolidated and Separate Financial Statements which requires among others that change in ownership interests in a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will give rise to gain or loss.

Parent Company preferred shares held by subsidiaries – 150% increase from P100mln to P250mln
Mainly due to the parent company preferred shares held by the water utilities group.

Noncontrolling interest – 39% increase from P33,158mln to P45,985mln
Noncontrolling interests' share in 2010 net income and share in the water utilities group which was consolidated effective March 2010.

Income Statement items
(YTD September 30, 2010 Vs YTD September 30, 2009)

Sales and services – 22% increase from P45,872mln to P55,821mln
Due to the consolidation of the water utilities group in 2010, higher sales from new projects of the real estate group, higher sales volume of the automotive group, partly offset by the effect of the deconsolidation of two subsidiaries of the information technology and BPO services group. This account is 84% and 83% of the total revenue in 2010 and 2009, respectively.

Equity in net earnings of associates and joint ventures – 12% decrease from P5,738mln to P5,029mln
Due to change in accounting for investments in the water utilities companies owned by the Parent Company and two companies under the information technology and BPO services group from

equity method to full consolidation method. This account is 8% and 10% of the total revenue for the periods September 30, 2010 and September 30, 2009.

Interest income – 12% decrease from P1,940mln to P1,705mln
Due to lower investible funds in 2010 by the Parent Company. This account is 3% and 4% of the total income in 2010 and 2009, respectively.

Investment and other income – 110% increase from P1,835mln to P3,850mln
Largely due to the dilution gain of the information technology and BPO services group. This account is 6% and 3% of the total income in 2010 and in 2009, respectively.

Cost of sales and services – 7% increase from P36,535mln to P39,064mln
Relative to the increase in sales and services of the real estate and automotive groups partly offset by the deconsolidation of the two companies under the information technology and BPO services groups. As a percentage to costs and expenses, this account is 73% and 78% in 2010 and 2009, respectively.

General and administrative – 41% increase from P6,579mln to P9,285mln
Inclusion of the accounts of the water utilities group, provision for doubtful accounts of the international group, higher personnel costs of the parent company partly offset by the deconsolidation of subsidiaries of the information technology BPO and services group. GAE is 17% and 14% of the total cost expenses in 2010 and 2009, respectively.

Interest and other financing charges – 27% increase from P3,224mln to P4,104mln
Increase mainly due to the impact of consolidating the water utilities group and increase in loans of the real estate group. This account is 8% and 7% of the costs and expenses in 2010 and 2009, respectively.

Other charges – 186% increase from P246mln to P705mln
2009 balance is attributable to the impairment of real estate inventories of the real estate group while the 2010 balance is due to impairment of real estate inventories of the international group.

Provision for income tax – 108% increase from P1,289mln to P2,686mln
Primarily due to higher taxable income of the real estate group in 2010.

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's signing of a Memorandum of Agreement with Manila Water Company (MWC) for the joint development and operation of a water and wastewater facility service company that will serve the needs of ALI projects, primarily NUVALI.

ALI's signing of a Joint Development Agreement between Amaia Land Corp. and Eton Properties Inc. for the development of a 4-hectare property in Calamba, Laguna that will form part of Amaia Scapes Laguna.

ALI's signing of a Joint Development Agreement between Avida Land Corp. and Phil. National Bank (PNB) for the development of a 2.3-hectare property along EDSA corner Reliance and Mayflower sts. in Mandaluyong City into a residential complex.

ALI's signing of a 30-year lease contract with Ellimac Prime Holdings (Puregold and S&R Stores group) for the development of a 6-hectare property in Fairview, Quezon City.
ALI's signing of an Equity Joint venture Agreement with Sino-Singapore Tianjin Eco-City Investment and Development Corp. Ltd. for the development of a 19-tower residential project (1,100 units) on a 9.8-hectare parcel of land in Tianjin Eco-City, China.

On June 25, 2010, IMI, and Narra Venture Capital II (NarraVC), signed an agreement with PSi for their acquisition of 67% of PSi. PSi is a power semiconductor assembly and tests services (SATS) company serving niche markets in the global power semiconductor market. It provides comprehensive package design, assembly and test services for power semiconductors used in various electronic devices. On October 5, 2010, the parties amended the agreement and finalized the transaction on October 6, 2010. On completion, IMI,NarraVC and Merrill Lynch now own 56%, 11% and 33% of PSi, respectively. The investment made by IMI amounted to $8.3 million.

3.0 Other material events or transactions during the interim period.

ALI's launch in January of Ayala Land premier's park Terraces, a high-rise condominium project in Makati.

ALI's signing of a Joint Venture Agreement with the Anflogroup for the development of a mall within a 3.2-hectare property in Cagayan de Oro City.

ALI's signing of a 35-year Lease Agreement with the Pison group for a 2-hectare property in Iloilo City that will be used for the development of BPO buildings.

ALI's taking a 60% interest in Ten Knots Group which owns the El Nido resorts in lagen and Miniloc Islands in Northern Palawan.

ALI recently incorporated and registered two new subsidiaries with the Securities and Exchange Commission (SEC). The first is the AyalaLand Commercial REIT, Inc. (ALCRI) which is intended to be the vehicle through which the Company will own and operate select investment properties and the entity to be used for the possible initial public offering under the recently passed Republic Act 9856 or the Philippine Real Estate Investment Trust (REIT) Law. ALCRI will have an initial authorized capitalization of Php1.2 billion, with Php300 million already subscribed and paid up. The second is the Ayala Hotels and Resorts Corporation (AHRC), which is intended to be a holding company for hotel and resort investments entered into by the Company. AHRC has an authorized capital stock of P1.18 billion consisting of 235.03 million common shares with a par value of one peso per share, and 940.12 million redeemable preferred shares also with a par value of one peso per share.

MWCI has incorporated Manila Water Asia Pacific Pte. Ltd. (MWAP) and Manila Water South Asia Holding Pte. Ltd. (MWSAH) on April 29, 2010 and July 5, 2010, respectively, as investment holding company. MWAP is 100% owned by MWCI while MWSAH is 100% owned by MWAP. Jindal Manila Water Development Co. Ltd. (JMWDC) was incorporated and registered on May 3, 2010 at Delhi, India. JMWDC is equally owned by MWCI and Jindal Water Infrastructure Ltd.

Azalea International Venture Partners Ltd. (AIVPL) repurchased all the shares held by Azalea Technology amounting to $4.1m resulting in AIVPL becoming a wholly owned subsidiary of AC.

Ayala group companies is allotting P70 billion in capital expenditure in 2010, the highest on record for the conglomerate. The group's capital expenditure plan spans investments across the real estate, telecommunications, and water utilities sectors.

PART II – OTHER INFORMATION

1. Further to Ayala Corporation's disclosure on November 12, 2009, Ayala announced the closing of the agreements for the acquisition of United Utilities's 81.9 million common shares and economic interest in 2 billion preferred shares in Manila Water Co., Inc. thereby increasing the company's economic interest to 43.3% from 31.7%.

2. In compliance with SEC Code of Corporate Governance, a certification was issued by Ayala Corporation that both Messrs. Meneleo J. Carlos and Xavier P. Loinaz, the independent directors of the Corporation, attended all six meetings of the Board of Directors in 2009.

   That each of the directors of the Corporation attended at least 50% of the six meetings of the Board.

3. The annual meeting of stockholders of Ayala Corporation was held at the grand ballroom of the Hotel interContinental Manila on April 16, 2010. The stockholders approved the following:

   a. Directors:

Jaime Augusto Zobel de Ayala	Delfin Lazaro
Fernando Zobel de Ayala	Xavier P. Loinaz *
Ramon R. del Rosario, Jr. *	Mercedita S. Nolledo
Nobuya Ichiki	

   *Independent directors

   b. Sycip, Gorres, Velayo & Co., elected as the external auditors of the Company for the fiscal year 2010.

   c. Amendments to the Seventh Article of the Articles of Incorporation was ratified.

   d. Board Committees and memberships:

   Executive Committee – Jaime Augusto Zobel de Ayala (Chairman)
   Fernando Zobel de Ayala (Member)
   Nobuya Ichiki (Member)

   Audit and Risk Committee - Xavier Loinaz (Chairman)
   Nobuya Ichiki (Member)
   Ramon R. del Rosario, Jr. (Member)

   Nomination Committee - Jaime Augusto Zobel de Ayala (Chairman)
   Fernando Zobel de Ayala (Member)
   Ramon R. del Rosario, Jr. (Member)

   Personnel and Compensation Committee –
   Ramon R. del Rosario, Jr. (Chairman)
   Delfin L. Lazaro (Member)
   Nobuya Ichiki (Member)

   Finance Committee – Delfin L. Lazaro (Chairman)
   Mercedita S. Nolledo (Member)
   Gerardo C. Ablaza, Jr. (Member)
   Delfin C. Gonzalez, Jr. (Member)

Proxy Validation Committee – Mercedita S. Nolledo (Chairman)
Delfin C. Gonzalez, Jr. (Member)
Solomon M. Hermosura (Member)
Jaime P. Villegas (Member)

e. Officers:

Jaime Augusto Zobel de Ayala	– Chairman of the Board & Chief Executive Officer
Fernando Zobel de Ayala	- Vice Chairman of the Board, president & Chief Operating Officer
Mercedita S. Nolledo	- Corporate Secretary and Senior Counsel
Gerardo C. Ablaza, Jr.	– Senior Managing Director
Antonino T. Aquino	- Senior Managing Director
Rufino Luis T. Manotok	- Senior Managing Director
Arthur R. Tan	- Senior Managing Director
Jose Rene D. Almendras	- Managing Director
Alfredo I. Ayala	- Managing Director
John Eric T. Francia	- Managing Director
Victoria P. Garchitorena	- Managing Director
Delfin C. Gonzalez, Jr.	- Managing Director, Chief Finance Officer and Chief Information Officer
Solomon M. Hermosura	- Managing Director, General Counsel, Assistant Corporate Secretary & Compliance Officer
Rufino F. Melo III	- Managing Director
Ramon G. Opulencia	- Managing Director and Treasurer
John Philip S. Orbeta	- Managing Director
Ginaflor C. Oris	- Managing Director

f. Management Committee:

Jaime Augusto Zobel de Ayala	Delfin C. Gonzales, Jr.
Fernando Zobel de Ayala	Solomon M. Hermosura
Gerardo C. Ablaza, Jr.	Delfin L. Lazaro
John Eric T. Francia	John Philip S. Orbeta

4. Integreon, a global leader in integrated knowledge process outsourcing is an investee company of LiveIT Investments Ltd., Ayala's holding company in the business process outsourcing sector, announced the US$ 50 million purchase of newly issued Integreon preferred shares by Actis, an emerging markets private equity firm.
    - The investments made by Actis in Integreon resulted in the reduction of LiveIT Investments Ltd.'s ownership interest from 86% to 56%. With LiveIT's loss of control over Integreon, Integreon is now consolidated using the equity method of accounting in the Company's consolidated financial statements as of June 30, 2010.

5. Ayala Corporation's 2009 net income reached P8.2 billion at par with prior year's earnings with substantially lower capital gains from share sales in 2009. Excluding capital gains, net income grew by 34% which was driven by the strong performance of its major business units, even amidst a sluggish economic environment.

6. The Board of Directors of Ayala Corporation approved on 15 March 2010, amendments to the seventh Article of the Articles of Incorporation providing for (1) the reclassification of four million unissued common shares, par value P50 per share, to new series of preferred shares: 200,000,000 voting preferred shares, par value P1 per share; and (2) the denial of pre-emptive rights to issues of common shares in exchange for properties needed for corporate purposes and to issues or re-issues of treasury or redeemed shares. SEC has approved these amendments to the Articles of Incorporation.

7. Ayala Corporation filed on 16 March 2010 the Registration Statement covering the offering of the Ayala Peso Bonds in the amount of P8 Billion, with an oversubscription option of up to P2 Billion, subject to the registration requirements of the Securities & Exchange Commission (SEC).

8. Ayala Corporation executed and paid on 17 March 2010 a subscription Agreement with First Gen Northern Energy Corp. (FGNEC) for subscription to 250,000 common shares of stock in FGNEC for a subscription price of PHP 250,000.00 equal to the total par value of the shares. The shares constitute 33 1/3% of the outstanding capital stock of FGNEC. FGNEC is participating in the privatization of the 246 MW Angat Hydroelectric Power Plant located in Norzagaray, Bulacan, which is subject of the bidding process (Bidding) initiated by the Power Sector Assets & Liabilities Management Corporation (PSALM).

9. Ayala Corporation's 7.20% Fixed Rate Putable bond of up to P10.0 billion due in 2017 received a rating of PRS Aaa. According to Philippine Rating Services Corporation (PhilRatings), obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligations is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings. SEC has favorably considered the issuance of the Ayala Php 10.0Bn Putable Bonds. Philippine Dealing & Exchange Corp. (PDEX) has approved listing of the said bonds effective April 30, 2010.

10. In compliance with SEC Memorandum Circular No. 6, series of 2009, Ayala Corporation submitted Revised Manual of Corporate Governance.

11. Ayala Corporation's consolidated net income for the first quarter of 2010 reached P2.1 Billion, at par with P2.2 billion net earnings in the same period in 2009.

12. In compliance with memorandum circular no. 6 dated April 7, 2006, Ayala Corporation filed General Information Sheet (GIS) with the SEC.

13. Integreon, the leading global provider of research, legal and professional business solutions, is a joint venture majority-owned by LiveIT Investments Ltd, a holding company in the BPO sector of Ayala Corporation, announced its signing of a 10-year agreement with CMS Cameron McKenna LLP, U.K. member firm of CMS, the leading European provider of legal and tax services, for outsourced Middle Office services.

14. The Company's increase in economic interest in Manila Water Co., Inc. (MWCI) resulted in the Company having control over MWCI. Thus, the financial results of MWCI were consolidated on full-line basis in the Company's consolidated financial statements. The Company also effectively controls Philwater Holdings Company, Inc. which resulted in the financial results of this entity being consolidated full-line into the Company's consolidated financial statements starting March, 2010.

15. Ayala International North America, the Company's holding company for real estate investments in the United States of America, has acquired 75% of AY Saratoga, Inc. to gain 100% ownership of the entity. As such, Saratoga's financial results were consolidated on full line in the Company's financial statements as of June 30, 2010.

16. The Executive Committee of Ayala Corporation approved in May 2010 to expand the share buyback program, which the Board of Directors approved in September 2007, from P2.5 billion to P5 billion.

17. The Board of Directors of Ayala Corporation approved the declaration of a regular cash dividend of P2.00 per share corresponding to the first semester ending June 30, 2010, on outstanding common shares of the Corporation's capital stock as of record date June 22, 2010, payable on July 16, 2010.

18. The Board of Directors of Ayala Corporation at its regular meeting on 03 September 2010, accepted the resignation of Ms. Mercedita S. Nolledo as director and elected Mr.

Antonio Jose U. Preiquet as independent director for the remainder of the term of Ms. Nolledo. The Board also elected Mr. Periquet and Mr. John Eric T. Francia as members of the Finance Committee.

19. Ayala Corporation's net income grew by 21% to P2.3 billion in the 2nd quarter of 2010 versus the same period last year. This pushed Ayala's consolidated net income in the first half of the year to P4.4 billion, 9% higher year-on-year.

20. In compliance with the Notice of the Securities and Exchange Commission dated October 20, 2006 implementing Section 38 of the Securities Regulation Code, Ayala submitted the Certification of independent director, Mr. Antonio Jose U. Periquet.

21. The Executive Committee of Ayala Corporation approved on 15 October 2010 the expansion of the share buyback program from P5.0 billion to P10 billion and, for this purpose, the allocation of additional P5.0 billion for the program.

SIGNATURES

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

Registrant **AYALA CORPORATION**

By:

SOLOMON M. HERMOSURA
Managing Director
Group Head, Legal and Compliance

Date: November 15, 2010

RUFINO F. MELO III
Managing Director
Principal Accounting Officer

Date: November 15, 2010

AYALA CORPORTION AND SUBSIDIARIES
AGING OF RECEIVABLES (Based on Unaudited Figures)
As of Sepember 30, 2010
(In Thousand Pesos)

	Up to 6 months	Over 6 Mos. to One year	Over One Year	Past Due	TOTAL
Trade Receivables	12,470,321	3,303,023	1,922,479	306,890	18,002,713
Non-Trade Receivables	6,494,196	3,794,039	2,107,544	0	12,395,779
Total	18,964,517	7,097,062	4,030,023	306,890	30,398,492