



13 November 2009

Securities & Exchange Commission

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

Philippine Stock Exchange

Attn.: Ms. Janet A. Encarnacion
Head - Disclosure Department
4F PSE Center Exchange Road
Ortigas Center Pasig City

Philippine Dealing & Exchange Corporation

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

Subject: **Ayala Corporation's 3Q09 Consolidated Net Income up 13% Year-on-Year**

Gentlemen:

Ayala Corporation's consolidated net income in the third quarter of 2009 rose by 13% versus the same period last year to P1.7 billion. This put net income in the first nine months of the year at P5.8 billion, 26% lower year-on-year, but 14% higher excluding gains from share sales realized last year.

Combined equity earnings from core business units, Ayala Land, Inc. (ALI), Bank of the Philippine Islands (BPI), and Globe Telecom (Globe) grew by 16% during the quarter as their net incomes registered strong growth during the period. This was, however, offset by the mixed performance of units under AC Capital. Equity earnings in the nine month period ending September remained stable at P6.8 billion.

Ayala Corporation President and Chief Operating Officer, Mr. Fernando Zobel de Ayala, said "Our core business units remained resilient despite the difficult operating environment. With positive trends in the third quarter, we are optimistic about the continued growth trajectory of our businesses particularly as they tap new market segments and explore new geographies. We also continue to support their growth initiatives as part of a broader plan to constantly enhance and optimize value from our portfolio."

Ayala recently announced it increased its stake in Manila Water to 43.3% from 31.7% as it signed a Sale and Purchase Agreement with United Utilities, Inc. to acquire the latter's 11.6% interest in the water company. The move is viewed value accretive given the growth potential of Manila Water as it looks to expand beyond its concession area.

Ayala has also continued to actively invest in the business process outsourcing (BPO) space. Recently, it announced the merger of its contact center investment, eTelecare Global Solutions, with US based Stream Global Services, Inc., a leading global call center company. This combination creates one of the five largest global call center companies, with approximately 30,000 employees in more than 50 sites in 22 countries worldwide, and revenues of approximately \$800 million. Livelt, Ayala's holding company for its BPO investments, has a 25.5% ownership in the combined entity.

Subsequently, Ayala's knowledge process outsourcing (KPO) unit, Integreon, announced the acquisition of Grail Research, the captive Strategic Research and Decision Support unit of the Monitor Group, one of the world's leading management consulting companies, who will enter into a 5 year contract to buy research services from Integreon. The acquisition accelerates the expansion of Integreon's business intelligence, research and analytics business into high-end, custom market research, and strengthens Integreon's position as one of the leading integrated KPO companies globally. Grail is headquartered in Cambridge, Massachusetts and has 200 employees in the US, India, China and South Africa.

These transactions are part of Ayala's strategy to invest in global BPO companies that are in the top 5 in their respective sectors worldwide, and can leverage the Philippines' competitive advantages. In the third quarter, the combined revenues of Ayala's BPO companies, excluding Stream and Grail, grew by 6% to \$93.5 million versus the second quarter, and their combined EBITDA grew by over 20% to \$8.7 million, as they continued to recover from the impact of the global recession. Ayala's share of their net loss for the first three quarters of 2009 was P648 million, which includes P439 million in merger and acquisition related transaction costs, amortization of intangibles, and interest expense.

Ayala's core business units continued to achieve robust earnings growth, offsetting losses in its international real estate unit, AG Holdings. The latter booked a net loss of P336 million for the nine month period due to provisions for several projects in the US, given the persistent weakness in the U.S. property market.

BPI's net income in the first nine months of the year grew by 38% to P7.3 billion with revenues up 16%. An increase in the bank's average asset base coupled with a 13-basis point improvement in spreads contributed to the growth in net interest income, while the declining interest rate environment allowed the bank to realize trading gains from the sale of part of its securities inventory. Business remained brisk, with average loans up 8% driven mainly by its middle market and consumer clients.

Globe's net income rose by 12% to P9.9 billion with core earnings stable at P9.4 billion year-to-date September. Revenue growth was underpinned by its consumer broadband business, which increased by 69% year-on-year with a significant expansion in subscriber base. Globe's broadband subscribers nearly tripled versus last year to over 500,000, while its wireless mobile subscriber base contracted to 23.1 million at the end of the period. Globe continues to invest in network expansion to improve service delivery to consumer, allow better reach, and enhance network quality. It recently declared a special cash dividend of P50 per share, equivalent to a pay-out of 134% or a yield of 14%.

In the meantime, trends in its real estate unit Ayala Land, Inc. were encouraging with net income up 9% quarter-on-quarter and 12% year-on-year in the third quarter coming from two consecutive quarters of decline. ALI's earnings in the first nine months, however, were still lower than prior year by 24% at P2.9 billion. Aggregate residential bookings continued to improve across all brands, indicative of a convincing reversal from its bottom early this year. In the meantime, overall leased-out rates in Ayala Malls improved to 95% while its office business completed a significant expansion in its BPO portfolio which saw its average leased-out rate dip to 64% due to the influx of new office space in the third quarter. ALI shares the optimism in the medium to long term growth potential of the BPO sector in tandem with the recovery in the global economy and the compelling trend for global offshoring and outsourcing.

The gradual recovery in the electronics sector improved the performance of its electronics manufacturing unit, Integrated Microelectronics, Inc. (IMI). The company posted a turnaround with net income of P170 million, a reversal of the net loss incurred last year. Revenues on a year-to-date basis, however, remained below last year's levels due to softer global demand for electronics. The third quarter saw notable improvements in revenues and margins compared to the first half of the year. The company recently obtained approval from the Securities and Exchange Commission for a Listing by way of introduction of its shares in the Philippine Stock Exchange and is currently awaiting approval from the stock exchange.

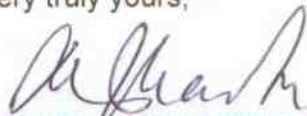
Ayala's water unit, Manila Water Co. grew net income by 14% to P2.3 billion in the first nine months on the back of a 6% increase in core revenues and better operating and tax efficiencies. The increase in the company's customer base from the expansion areas helped boost year-to-date sales. Non-revenue water also continued to drop to 15.4% year-to-date. Last September, the company assumed full control of operations of its subsidiary Laguna Water, making significant headway in its domestic expansion outside the East Zone.

Ayala Corporation ended the period with cash at the holding company level of P26 billion and net debt to equity of 0.09 to 1.

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

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

Very truly yours,



RUFINO LUIS MANOTOK
Senior Managing Director
Chief Financial Officer



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

	Sept. 30, 2009	Dec. 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	46,201,105	42,885,792
Short-term investments	164,728	1,008,924
Accounts and notes receivable - net	27,090,874	23,284,010
Inventories	9,070,929	10,011,355
Other current assets	5,895,408	7,090,394
Total Current Assets	88,423,044	84,280,475
Noncurrent Assets		
Noncurrent accounts and notes receivable	6,397,787	6,694,021
Land and improvements	17,905,492	15,756,894
Investments in associates and jointly controlled entities - net	70,731,618	68,140,394
Investments in bonds and other securities	5,011,858	3,064,502
Investment properties - net	27,880,612	21,058,577
Property, plant and equipment - net	8,053,784	13,886,560
Deferred tax assets - net	1,293,984	1,132,847
Pension assets	116,268	117,388
Intangible assets - net	3,914,508	4,014,136
Other noncurrent assets	1,645,338	1,906,172
Total Noncurrent Assets	142,951,249	135,771,491
Total Assets	231,374,293	220,051,966
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	26,826,800	27,283,536
Short-term debt	2,973,294	2,755,447
Income tax payable	555,405	214,697
Current portion of long-term debt	1,926,615	1,478,871
Other current liabilities	1,529,025	1,753,530
Total Current Liabilities	33,811,139	33,486,081
Noncurrent Liabilities		
Long-term debt - net of current portion	53,198,477	50,250,151
Deferred tax liabilities	155,628	185,536
Pension liabilities	543,967	490,744
Other noncurrent liabilities	8,760,650	7,588,080
Total Noncurrent Liabilities	62,658,722	58,514,511
Total Liabilities	96,469,861	92,000,592
Equity		
Equity attributable to equity holders of Ayala Corporation		
Paid-up capital	37,412,681	37,251,714
Share-based payments	812,313	705,457
Cumulative translation adjustments	(1,346,751)	(968,778)
Retained earnings	65,444,744	61,604,466
Net unrealized gain on available-for-sale-investments	541,642	(631,127)
Parent Company preferred shares held by a subsidiary	(100,000)	(100,000)
Treasury stock	(550,540)	(550,540)
	102,214,089	97,311,192
Minority interests	32,690,343	30,740,182
Total Equity	134,904,432	128,051,374
Total Liabilities and Equity	231,374,293	220,051,966

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

	Periods Ended September 30	
	2009	2008
REVENUE		
Sales and services	45,871,831	46,505,956
Equity in net earnings of associates and jointly controlled entities	5,737,501	5,835,354
Interest Income	1,940,493	1,346,733
Other Income	1,835,359	4,324,550
	55,385,184	58,012,593
COSTS AND EXPENSES		
Costs of sales and services	36,535,172	36,356,099
General and administrative	6,578,646	6,218,792
Interest expense and other financing charges	3,224,144	4,071,928
Other charges	246,310	-
	46,584,272	46,646,819
INCOME BEFORE INCOME TAX	8,800,912	11,365,774
PROVISION FOR INCOME TAX	1,289,138	1,693,542
NET INCOME	7,511,774	9,672,232
ATTRIBUTABLE TO:		
Equity holders of Ayala Corporation	5,782,089	7,782,739
Minority interests	1,729,685	1,889,493
	7,511,774	9,672,232