

SEC No. _____
File No. _____

AYALA CORPORATION

(Company's Full Name)

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

(Company's Address)

908-30-00

(Telephone Number)

September 30, 2011

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the semi-annual period ended: **September 30, 2011**
2. SEC Identification No.: **34218**
3. BIR Tax Identification No. **000-153-610-000**
4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: **34th Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City**
Postal Code: **1226**
8. Registrant's telephone number: **(632) 908 3000**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares outstanding
Preferred A	12,000,000
Preferred B	58,000,000
Voting Preferred	200,000,00
Common*	577,700,584

*Net of 19,740,270 treasury shares

Amount of debt outstanding as of September 30, 2011: **P112.4 billion**

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

A total of 495,676,911 Common shares, 12,000,000 Preferred "A" shares and 58,000,000 Preferred "B" shares are listed with the Philippine Stock Exchange as of June 30, 2011.
12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports): Yes No
 - (b) has been subject to such filing requirements for the past 90 days: Yes No


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PART I - FINANCIAL INFORMATION		
Item I - Financial Statement		
 AYALA CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS As of September 30, 2011 and December 31, 2010 (Amounts in Thousands)		
	September 2011 (Unaudited)	December 2010 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	66,989,049	53,142,777
Short-term investments (Note 5)	4,780,007	3,993,533
Accounts and notes receivable - net (Note 6)	31,596,414	26,184,128
Inventories (Note 8)	22,142,508	18,374,656
Other current assets	10,000,442	6,911,634
Total Current Assets	135,508,420	108,606,728
Noncurrent Assets		
Noncurrent accounts and notes receivable	5,284,628	4,793,315
Land and improvements - net	17,210,599	16,433,698
Investments in associates and jointly controlled entities-net (Note 9)	74,369,442	72,004,879
Investment in bonds and other securities (Note 7)	5,639,755	4,854,337
Investment properties - net	31,890,619	29,488,275
Property, plant and equipment - net	13,101,553	11,698,923
Service concession assets	62,936,746	59,097,769
Intangible assets - net	4,050,755	3,083,089
Deferred tax assets - net	2,681,176	2,749,148
Pension assets	140,844	190,658
Other noncurrent assets	2,916,067	2,587,255
Total Noncurrent Assets	220,222,184	206,981,346
Total Assets	355,730,604	315,588,074
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	44,599,391	37,896,575
Short-term debt (Note 11)	5,662,064	4,519,287
Income tax payable	533,952	440,834
Current portion of:		
Long-term debt (Note 11)	8,915,660	11,237,343
Service concession obligation	1,249,693	794,473
Other current liabilities (Note 12)	3,124,489	2,631,344
Total Current Liabilities	64,085,249	57,519,856
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 11)	97,810,770	67,079,948
Service concession obligation - net of current portion (Note 12)	7,011,854	7,025,751
Deferred tax liabilities	5,741,049	5,893,442
Pension liabilities	393,880	340,903
Other noncurrent liabilities (Note 12)	12,006,542	10,942,291
Total Noncurrent Liabilities	122,964,095	91,282,335
Total Liabilities	187,049,344	148,802,191
Equity		
Equity attributable to equity holders of the parent		37,855,465
Paid-up capital (Note 13)	37,015,999	37,855,466
Share-based payments	1,272,182	1,243,055
Retained earnings	75,475,065	74,011,144
Cumulative translation adjustment	(2,200,453)	(1,763,471)
Net unrealized gain/(loss) on available -for-sale financial assets	828,782	1,128,734
Parent Company preferred shares held by subsidiaries	(250,000)	(250,000)
Equity reserve	230,635	148,302
Treasury stock	(6,477,303)	(4,832,262)
Total Equity	105,894,907	107,540,968
Non-controlling interests	62,786,353	59,244,915
Total Equity	168,681,260	166,785,883
Total Liabilities and Equity	355,730,604	315,588,074
<i>See accompanying Notes to Condensed Consolidated Financial Statements.</i>		



AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Nine Months Ended September 30, 2011 and September 30, 2010
(In Thousand Pesos)


	2011		2010	
	July to Sept	Jan to Sept	July to Sept	Jan to Sept
INCOME				
Sales and Services	27,248,285	69,367,342	22,657,081	59,426,049
Equity in net earnings of associates and jointly controlled entities	1,757,998	5,737,328	1,888,666	5,028,658
Interest income	707,409	2,063,491	554,703	1,705,093
Investment and other income	539,541	1,409,369	577,271	3,711,179
	30,253,233	78,577,530	25,677,721	69,870,979
COSTS AND EXPENSES				
Cost of sales and services	21,829,228	51,112,105	17,901,013	44,064,661
General and administrative	1,848,859	7,691,712	1,454,855	7,749,937
Interest expense and other financing charges	1,711,672	4,904,398	1,479,167	4,104,312
Other charges	0	0	(456)	705,310
	25,389,759	63,708,215	20,834,579	56,624,220
INCOME BEFORE INCOME TAX	4,863,474	14,869,315	4,843,142	13,246,759
Provision for income tax	992,388	2,966,942	1,087,166	2,686,284
NET INCOME	3,871,086	11,902,373	3,755,976	10,560,475
ATTRIBUTABLE TO:				
Equity holders of Ayala Corporation	2,351,334	7,286,291	2,361,476	6,782,184
Noncontrolling interests	1,519,753	4,616,082	1,394,500	3,778,291
	3,871,087	11,902,373	3,755,976	10,560,475
EARNINGS PER SHARE (Note 14)				
Basic		11.37		10.12
Diluted		11.32		10.08
<i>See accompanying Notes to Condensed Consolidated Financial Statements.</i>				

**AYALA CORPORATION AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the Periods Ended September 30, 2011 and 2010

(Amounts in thousands)

	2011		2010	
	July to Sept	Jan. to Sept	July to Sept	Jan. to Sept
NET INCOME FOR THE PERIOD	3,871,086	11,902,373	3,755,976	10,560,475
Other comprehensive income:				
Exchange differences arising from translations of foreign investments	(322,708)	(450,209)	(726,813)	(459,539)
Changes in fair value of available-for-sale investment in equity securities	(25,062)	(29,357)	154,930	215,844
Share of other comprehensive income of associates:				
Exchange differences arising from translations of foreign investments	(37,801)	(2,256)	(6,530)	(22,989)
Changes in fair value of available-for-sale investment in equity securities	158,740	(277,723)	164,777	443,927
Other comprehensive income for the period	(226,831)	(759,545)	(413,636)	177,243
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,644,255	11,142,828	3,342,340	10,737,718
Total comprehensive income attributable to:				
Equity holders of the parent	2,095,933	6,549,357	2,045,095	7,035,405
Minority interest	1,548,322	4,593,471	1,297,245	3,702,313
	3,644,255	11,142,828	3,342,340	10,737,718

 AYALA CORPORATION AND SUBSIDIARIES UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY As of September 30, 2011 and 2010 (Amounts in thousands)										
	Paid-up Capital	Share-based Payments	Cumulative Translation Adjustments	Retained Earnings	Net Unrealized Gain on Available for Sale-Financial Assets	Equity Reserve	Parent Company Preferred Shares Held by Subsidiaries	Treasury Stock	Noncontrolling Interests	Total Equity
As at January 1, 2011 as previously reported	37,855,466	1,243,055	(1,763,471)	74,011,144	1,128,734	148,302	(250,000)	(4,832,262)	59,244,915	166,785,883
Net Income	-	-	-	7,286,291	-	-	-	-	4,616,082	11,902,373
Other comprehensive income	-	-	(436,982)	-	(299,952)	-	-	-	(22,611)	(759,545)
Total comprehensive income	-	-	(436,982)	7,286,291	(299,952)	-	-	-	4,593,471	11,142,828
Collection of subscriptions receivable	29,690	-	-	-	-	-	-	-	-	29,690
Issuance of shares	88,526	-	-	-	-	-	-	-	-	88,526
Cost of share-based payments of Parent	-	123,700	-	-	-	-	-	-	-	123,700
Cost of share-based payments of investees	-	(94,573)	-	-	-	-	-	-	-	(94,573)
Adjustment during the period	-	-	-	-	-	-	-	-	-	-
Redemption of Preferred Stock B	(5,800,000)	-	-	-	-	-	-	-	-	(5,800,000)
Acquisition of treasury stock	-	-	-	-	-	-	-	(1,645,041)	-	(1,645,041)
Stock dividends	4,842,317	-	-	-	-	-	-	-	-	4,842,317
Dividends on preferred shares	-	-	-	(4,842,317)	-	-	-	-	-	(4,842,317)
Dividends on common shares	-	-	-	(980,053)	-	-	-	-	-	(980,053)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(1,052,033)	(1,052,033)
Effect of change in ownership interests in subsidiaries	-	-	-	-	-	82,333	-	-	-	82,333
At September 30, 2011	37,015,999	1,272,182	(2,200,453)	75,475,065	828,782	230,635	(250,000)	(6,477,303)	62,786,353	168,681,260
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	-	-	-	-	-	-	(150,000)	(3,935,101)	10,220,733	6,135,632
Effect of change in ownership interests in subsidiaries	-	-	-	-	-	151,032	-	-	-	151,032
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



AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2011 and 2010

(In Thousand Pesos)

	September 30, 2011	September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	14,869,315	13,246,759
Adjustments for:		
Interest and other financing charges	4,904,398	4,104,312
Depreciation and amortization	4,783,626	4,270,533
Cost of share-based payments	29,127	114,657
Equity in net earnings of associates and joint ventures	(5,737,628)	(5,028,658)
Other investment income	(206,702)	(2,634,911)
Gain on sale of assets	(440,261)	(97,780)
Interest income	(2,063,491)	(1,705,093)
Operating income before changes in working capital	16,138,384	12,269,819
Decrease (increase) in:		
Accounts and notes receivable	(6,200,906)	(1,719,524)
Inventories	(3,768,134)	(5,859,194)
Other current assets	(3,088,808)	1,026,978
Increase (decrease) in:		
Accounts payable and accrued expenses	8,423,595	2,736,672
Net pension liabilities	102,791	26,443
Net Service concession obligation	(3,819,373)	0
Other current liabilities	426,987	814,195
Cash generated from operations	8,214,536	9,295,390
Interest received	2,015,700	1,962,591
Interest paid	(4,848,089)	(4,122,778)
Income tax paid	(2,811,745)	(3,056,175)
Total cash provided by (used in) operating activities	2,570,402	4,079,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	746,523	16,131,537
Disposal of property, plant and equipment	1,614,059	(1,152,695)
Maturities of (additions to) short-term investments	(786,474)	3,727,734
Additions to:		
Investments	(7,314,712)	(15,556,780)
Property, plant and equipment	(5,547,276)	(2,034,028)
Dividends received from associates and jointly controlled entities	4,891,557	5,042,714
Decrease (increase) in other noncurrent assets	(2,412,661)	(622,586)
Acquisition through business combination	(2,647,019)	2,746,980
Net cash provided by investing activities associated with noncurrent assets held for sale, including cash balance	0	0
Net cash provided by (used in) investing activities	(11,456,004)	8,282,876
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term and long-term debt	37,696,792	13,262,158
Issuance of common shares	4,855,948	203,673
Redemption of Preferred shares	(5,800,000)	0
Collections of (additions to) subscription receivable	104,586	132,927
Payment of short-term and long-term debt	(8,144,876)	(4,987,195)
Dividends paid	(4,128,432)	(3,911,461)
Acquisition of treasury shares	(1,645,041)	(3,935,101)
Parent Co. preferred shares held by a subsidiary	0	(150,000)
Equity reserves	82,332	151,032
Increase (decrease) in:		
Other noncurrent liabilities	1,064,251	915,296
Noncontrolling interest in consolidated subsidiaries	(1,353,687)	(3,776,431)
Net cash provided by (used in) financing activities	22,731,873	(2,095,102)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,846,272	10,266,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	53,142,777	45,656,889
CASH AND CASH EQUIVALENTS AT END OF PERIOD	66,989,049	55,923,692

AYALA CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2010 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2010.

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

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

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

On 10 November 2011, the Audit Committee approved and authorized the release of the accompanying unaudited condensed financial statements of Ayala Corporation and Subsidiaries.

2. Significant Accounting Policies

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2011. The Group will also adopt several amended and revised standards and interpretations in 2012.

Effective 2011

PAS 24 (Amended), Related Party Disclosures

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

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

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

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

The Amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The Amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

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

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

Improvements to PFRS

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

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

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

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

- PFRS 7, *Financial Instruments: Disclosures*
This Amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:
 - a. Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
 - b. Requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
 - c. Remove disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
 - d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
 - e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

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

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective in 2015

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

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

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

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

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

The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Effective 2013

PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The Standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will

have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a more comprehensive picture.

"The Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. The Group shall conduct in early 2012 another impact evaluation using outstanding balances of financial statements as of December 31, 2011. The results of this evaluation shall be disclosed in the Group's 2012 interim financial statements as of March 31, 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	
	September 2011	December 2010
Real Estate and Hotels:		
Ayala Land, Inc. (ALI) and subsidiaries *	53.2	53.2
Ayala Hotels, Inc. (AHI) and subsidiaries	76.6	76.6
Technopark Land, Inc.	78.8	78.8
Electronics, Information Technology and Business		
Process Outsourcing Services:		
Azalea Technology Investments, Inc. and subsidiaries (Azalea Technology)	100.0	100.0
Azalea International Venture Partners, Limited (AIVPL) (British Virgin Islands Company)	100.0	100.0
Integrated Microelectronics, Inc. (IMI) and subsidiaries**	66.9	67.2
LiveIT Solutions, Inc.	100.0	100.0
Automotive:		
Ayala Automotive Holdings Corporation (AAHC) and subsidiaries	100.0	100.0
Water Utilities:		
Manila Water Company, Inc. (MWCI) and subsidiaries	43.1	43.1
Philwater Holdings Company, Inc.	100.0	100.0
Water Capital Works, Inc.	100.0	100.0
International and Others:		
AC International Finance Limited (ACIFL) and subsidiary (Cayman Island Company)	100.0	100.0
Ayala Aviation Corporation	100.0	100.0
AG Counselors Corporation	100.0	100.0
AYC Finance Ltd. (AYC) (Cayman Island Company)	100.0	100.0
Bestfull Holdings Limited (incorporated in HongKong) and subsidiaries (BHL Group)	100.0	100.0
Darong Agricultural and Development Corporation	100.0	100.0
Michigan Holdings, Inc. and subsidiary	100.0	100.0
AC Energy Holdings, Inc.	100.0	100.0
MPM Noodles Corporation	100.0	100.0
Purefoods International Ltd.	100.0	100.0

*The Company owns 75.20% of the total common and preferred shares of ALI.

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

On February 21, 2011, AIVPL and AC entered into a subscription agreement wherein AC subscribed to 2,371,699 shares of AIVPL and paid \$1 per share (equivalent to par value) for a total of \$2,371,699. Such amount was infused to Livelt Investments Ltd. (LIL), for its operating expenses. Consequently, AIVPL & LIL entered into a subscription agreement wherein AIVPL subscribed to 237,169 shares of LIL and paid \$10 per share (equivalent to par value) for a total of \$2,371,690.

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

On July 11, 2011, AIVPL and AC entered into a deposit for future subscription wherein AC deposited \$9M to AIVPL. On the same date, AIVPL and LIL entered into a deposit for future subscription wherein AIVPL deposited \$9M to LIL for its subscription of up to \$9M of a \$15M convertible debt issue of Integreon.

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

ACEHI is the holding company established by AC to be its primary vehicle for investments in the power sector. The acquisition entailed the purchase by ACEHI of 100% stake in three privately held companies which have a combined 50% stake in NorthWind. ACEHI paid a base consideration of P513 million (inclusive of P21 million advances) which would be subject to adjustments depending on the plant capacity factor achieved and the feed-in-tariff approved by the government within one year from the acquisition date. The acquired companies, whose assets are essentially NorthWind shares, will be merged with ACEHI with the latter as the surviving entity.

As of September 30, 2011, the purchase price allocation relating to the Group's effective acquisition of Northwind has been prepared on preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition were based on the net book values of the identifiable assets and liabilities since these approximate the fair values. The difference between the total consideration and the net assets amounting to P211.7 million was initially allocated to goodwill as of September 30, 2011.

On April 28, 2011, Liveit Investment Ltd's (LIL) subsidiary, HRMall BVI (HRMall) acquired IQ BackOffice LLC amounting to US\$12.5M through an Asset Purchase Agreement. IQBackOffice is a BPO company based in the United States specializing in Finance and Accounting Services. Consequently, LIL partially sold its share in HRMall at book value to IQB Management's Schnitt & Jablonski for \$2.6M giving them a 17.48% stake in HRMall. LIL will continue to hold the remaining 82.52% in HRMall. As of September 30, 2011, the purchase price allocation relating to the Group's acquisition of IQBackOffice has been prepared on preliminary basis. The difference between the total consideration and the net assets amounting to P156.2 million was initially allocated to goodwill as of September 30, 2011.

On April 26, 2011, IMI, through its subsidiary in Singapore, IMI International (Singapore) Pte. Ltd., established a wholly-owned subsidiary Monarch Elite Ltd. domiciled in Hongkong to serve as the holding company of Cooperatief IMI Europe U.A. (based in Netherlands). Cooperatief established subsidiary IMI France (based in France), in preparation for the acquisition of EPIQ NV. EPIQ is an EMS provider that designs, produces, and sells electronic and electro-mechanical systems and sub-system.

On July 29, 2011, Cooperatief, completed its 100% acquisition of EPIQ EA and EPIQ CZ and of EPIQ MX (EPIQ subsidiaries), located in Bulgaria, Czech Republic and Mexico. The acquisition involves newly-issued shares of IMI in exchange for assets and assumption of liability of EPIQ NV to the EPIQ subsidiaries. EPIQ subsidiaries provide range of integrated services from product development to mass production. The production comprises the design of the printed circuits and spray casting of plastics up to and including the supply of assembled and tested systems and sub-systems. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition were based on the net book values of the identifiable assets and liabilities since these approximate the fair values. The difference between the total

consideration and the net assets amounting to \$6.9 million was initially allocated to goodwill as of September 30, 2011.

On June 29, 2011, ACEHI has signed a joint venture agreement with Phinma Corp.'s Trans-Asia Oil and Energy Development Corporation to form South Luzon Thermal Energy Corp. (SLTEC). SLTEC will have an authorized capital of P200 million, 50% of which will be owned by ACEHI. The joint venture is for the construction and operation of a 135-MW circulating fluidized bed (CFB) thermal power plant in Calaca, Batangas. Start of construction will be by September 2011 while it is targeted to be operational by mid-2014. Total project cost is estimated to reach P12.9 billion with total equity estimated at P3.9 billion.

On April 19, 2011, ACEHI had created a joint-venture platform with Sta. Clara Power Corp. (Sta. Clara) for the development of run-of-the-river (ROR) hydroelectric power projects across the Philippines. Sta. Clara Power Corp is an independent power producer specializing in ROR plants. ACEHI will take a 70% stake in the venture and has committed an initial equity infusion of about P656 million. The development companies will be named as Quadriver Energy Corporation, Philnew Hydro Power Corporation, Philnew River Hydro Corporation and Matic Hydro Corporation. On September 5, 2011, the development of mini-hydro power projects for Quadriver and Philnew Hydro were already covered by renewable energy service contracts awarded by the Department of Energy to Sta. Clara.

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

	September 2011	December 2010
Cash on hand and in banks	14,737,033	8,822,040
Cash equivalents	52,252,016	44,320,737
	66,989,049	53,142,777

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

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

	September 2011	December 2010
Money market placements	4,780,007	3,993,533

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

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

	September 2011	December 2010
Trade:		
Real estate	16,278,703	13,898,871
Electronics manufacturing	5,843,191	4,215,059
Water utilities	1,074,540	1,006,082
Automotive	819,016	869,557
Information technology & business process (BPO)	120,291	67,227
International and others	1,802	2,770
Related parties	3,521,583	2,367,653
Advances to contractors	4,717,894	3,586,985
Investment in bonds classified as loans and receivables	200,000	200,000
Advances and others	5,459,895	5,923,468
	38,036,915	32,137,672
Less allowance for doubtful accounts	1,155,873	1,160,229
	36,881,042	30,977,443
Less noncurrent portion	5,284,628	4,793,315
	31,596,414	26,184,128

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

	September 2011	December 2010
Quoted/unquoted equity/debt investments	5,639,755	4,854,337

This account consists of available-for-sale financial assets which are composed of quoted and unquoted equity investments as well as quoted and unquoted debt instruments. The corresponding unrealized gain on these assets is reflected in the Net Unrealized Gain (Loss) on Available for Sale Assets under the Equity portion of the Company's Balance Sheets.

8. Inventories (in Thousand Pesos):

	September 2011	December 2010
Real estate inventories:		
Subdivision for sale	9,674,684	8,230,322
Condominium and commercial units for sale	7,994,947	6,984,154
Materials, supplies and others - at NRV (cost of P2,972,748 in 2011 and P1,886,526 in 2010)	2,772,789	1,736,949
Vehicles - at cost	537,680	621,358
Work in process - at NRV (cost of P405,244 in 2011 and P319,441 in 2010)	392,610	312,709
Finished Goods - at NRV (cost of P567,014 in 2011 and P348,967 in 2010)	569,796	345,711
Parts and accessories - at NRV (cost of P281,482 in 2011 and P230,719 in 2010)	200,002	143,453
	22,142,508	18,374,656

9. Investments in Associates and Jointly Controlled Entities

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of ownership as of September 30, 2011 are as follows:

	Percentage of Ownership		Carrying Amounts	
	September 2011	December 2010	September 2011	December 2010
	(In Millions)			
Domestic:				
Bank of the Philippine Islands and Subsidiaries (BPI)	23.9	23.9	P 26,001	P 24,645
Globe Telecom, Inc. and Subsidiaries (Globe) *	30.5	30.5	16,986	17,053
Ayala DBS Holdings, Inc. (ADHI) *	45.5	45.5	10,189	9,649
Emerging City Holdings, Inc. (ECHI) *	50.0	50.0	3,630	3,492
Cebu Holdings, Inc. and Subsidiaries (CHI)	47.0	47.0	2,251	2,105
North Triangle Depot Commercial Corporation	49.3	49.3	1,438	1,436
Berkshire Holdings, Inc. (BHI) *	50.0	50.0	1,556	1,496
Bonifacio Land Corporation (BLC)	10.0	10.0	1,142	1,133
Asiacom Philippines, Inc. (Asiacom) *	60.0	60.0	974	918
Alabang Commercial Corporation (ACC) *	50.0	50.0	654	617
Foreign:				
Stream Global Services, Inc. (Stream)	25.8	25.8	3,540	3,882
Integreon, Inc. (Integreon) *	56.4	56.4	2,296	2,804
Arch Asian Partners L.P.	19.2**	19.2**	2,382	2,022
Others	Various	Various	1,332	753
			74,369	72,005

* *Jointly controlled entities.*

** *Effective ownership interest of the Company.*

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

	September 2011 Unaudited	December 2010 Audited
Total Resources	788,712	878,146
Total Liabilities	700,723	795,871
Capital Funds for Equity Holders	86,632	81,030
Noncontrolling interest	1,358	1,245
Total Liabilities and Capital Funds	788,712	878,146

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

	September 2011 Unaudited	December 2010 Audited
Interest Income	28,594	36,987
Other Income	11,963	15,369
Total Revenues	40,558	52,356
Operating expenses	17,018	20,954
Interest expense	9,605	13,359
Impairment losses	1,482	3,454
Provision for Income Tax	2,638	3,110
Total Expenses	30,742	40,877
Net Income for the period	9,815	11,479
Attributable to:		
Equity holders of BPI	9,634	11,312
Noncontrolling Interest	181	167
	9,815	11,479
EPS:	2.71	3.38
Based on 3,556M common shares as of September 30, 2011 and 3,556M common shares as of December 31, 2010		

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

	September 2011 Unaudited	December 2010 Audited
Total Current Assets	20,752	21,585
Non-current Assets	107,714	109,043
Total Assets	128,466	130,628
Current Liabilities	37,632	35,309
Non-current Liabilities	44,187	48,450
Stockholders' Equity	46,648	46,869
Total Liabilities & Stockholders' Equity	128,466	130,628

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

	September 2011 Unaudited	December 2010 Audited
Net Operating Revenues	53,664	66,623
Other Income	(12)	52
Total Revenues	53,652	66,676
Costs and Expenses	42,187	52,638
Provision for Income Tax	3,471	4,294
Total Expenses	45,658	56,931
Net Income	7,994	9,745
EPS:		
Basic	60.20	73.63
Diluted	59.97	73.12
As of September 30, 2011		
Basic based on 132,348K common shares		
Diluted based on 133,288K common shares		
As of December 31, 2010		
Basic based on 132,343K common shares		
Diluted based on 133,275K common shares		

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

	September 2011		December 2010	
	Unaudited		Audited	
	In US \$	In Php	In US \$	In Php
Total Current Assets	215	9,416	218	9,551
Total Non-current Assets	398	17,412	421	18,462
Total Assets	614	26,828	639	28,013
Current Liabilities	132	5,754	119	5,200
Non-current Liabilities	270	11,791	261	11,427
Equity Holders	212	9,283	259	11,387
Total Liabilities & Stockholders' Equity	614	26,828	639	28,013

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

	September 2011		December 2010	
	Unaudited		Audited	
	In US \$	In Php	In US \$	In Php
Total Revenues	627	27,113	800	36,089
Costs and expenses	655	28,312	818	36,871
Provision for income tax	-	-	38	1,746
	655	28,312	856	38,617
Net Income	(28)	(1,199)	(56)	(2,528)
EPS:				
Basic	(0.13)	(5.62)	(0.67)	(29.37)
Diluted	(0.13)	(5.62)	(0.67)	(29.37)
Basic and diluted based on 78,493K common shares as of September 30, 2011 and 79,905K common shares as of December 31, 2010				

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

	September 2011	December 2010
Accounts payable	28,722,839	21,654,637
Accrued expenses	12,366,109	12,766,160
Dividends payable	1,039,799	2,226,117
Accrued personnel costs	901,783	557,589
Interest payable	629,588	572,921
Retention payable	939,273	119,151
	44,599,391	37,896,575

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 2011	December 2010
Short-term debt:		
Philippine Peso with various interest rates	4,151,993	2,483,413
Foreign Currency with various interest rates	1,510,071	2,035,874
	5,662,064	4,519,287
Long-term debt:		
Company:		
Bank loans with various interest rates	8,190,859	6,730,000
Fixed Rate Corporate Notes (FXCNs)	7,852,736	11,432,500
Bonds, due 2012	5,985,113	6,000,000
Bonds, due 2017	9,712,383	9,800,000
Bonds, due 2021	9,904,821	
Syndicated term loan	1,485,678	1,496,667
	43,131,589	35,459,167
Subsidiaries:		
Loans fr banks & other financial institutions:		
Foreign currency with various interest rates	18,974,725	18,041,456
Philippine Peso with various interest rates	13,117,975	11,020,041
Bonds:		
Due 2012	296,925	194,600
Due 2013	8,518,505	8,212,027
Floating Rate Corporate Notes (FRCNs)	10,000	10,000
FXCNs	22,676,710	5,380,000
	63,594,841	42,858,124
	106,726,430	78,317,291
Less current portion	8,915,660	11,237,343
	97,810,770	67,079,948

12. Other Current/Noncurrent Liabilities

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

13. Equity

Details of the Company's paid-up capital (in Thousand Pesos):

	Preferred Stock-A	Preferred Stock-B	Voting Preferred Stock	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-up Capital
As of January 31, 2011	1,200,000	5,800,000	200,000	24,784,980	231,114	6,243,383	(604,011)	37,855,466
Issuance of shares	-	-	-	28,536	(14,905)	74,895	29,690	118,216
Stock dividends	-	-	-	4,842,317	-	-	-	4,842,317
Redemption of shares	-	(5,800,000)	-	-	-	-	-	(5,800,000)
As of September 30, 2011	1,200,000	-	200,000	29,655,833	216,209	6,318,278	(574,321)	37,015,999
								-
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	2010
	(In thousands, except dividends per share)	
Dividends to common shares		
Cash dividends declared during the period	968,463	974,436
Cash dividends per share	P2.00	P2.00
Stock dividends	4,842,317	-
Dividends to equity preferred declared		
during the period	10,563	-

On April 18, 2011, the stockholders approved the declaration of a 20% stock dividend to all common stockholders equivalent to 96,983,420 common shares to be issued from the increase in authorized capital stock of the Corporation.

On December 10, 2010, the BOD approved the declaration and payment of the quarterly dividends amounting to P807.1 million to all shareholders of the Company's Preferred A for the calendar year 2011 and the declaration and payment of the quarterly dividends for the first three quarters of 2011 to all Preferred B shareholders for calendar year 2011.

On December 10, 2009, the BOD approved the declaration and payment of the quarterly dividends amounting to P944.2 million 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	
	2011	2010
	(In thousands except EPS figures)	
Net income applicable to common	7,286,291	6,782,184
Less Dividends on Preferred stocks	(684,440)	(811,014)
Net Income Applicable to Common	6,601,851	5,971,170
Weighted average number of common shares	580,752	589,999
Dilutive shares arising from stock options	2,358	2,419
Adjusted weighted average number of common shares for diluted EPS	583,110	592,418
Basic EPS	11.37	10.12
Diluted EPS	11.32	10.08

	Nine months ended September 30	
	2011	2010
	(In thousands except EPS figures)	
Income before income associated with noncurrent assets held for sale	11,902,373	10,560,475
Less income before income associated with noncurrent assets held for sale associated to minority interests	(4,616,082)	(3,778,291)
Less dividends on preferred stock	(684,440)	(811,014)
	6,601,851	5,971,170
Weighted average number of common shares for basic EPS	580,752	589,999
Dilutive shares arising from stock options	2,358	2,419
Adjusted weighted average number of common shares for diluted EPS	583,110	592,418
Basic EPS	11.37	10.12
Diluted EPS	11.32	10.08

15. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

For management purposes, the Group is organized into the following business units:

- Real estate and hotels - planning and development of large-scale fully integrated residential and commercial communities; development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of upper middle-income and affordable housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.
- Financial services and bancassurance - universal banking operations, including savings and time deposits in local and foreign currencies; commercial, consumer, mortgage and agribusiness loans; leasing; payment services, including card products, fund transfers,

- international trade settlement and remittances from overseas workers; trust and investment services including portfolio management, unit funds, trust administration and estate planning; fully integrated bancassurance operations, including life, non-life, pre-need and reinsurance services; internet banking; on-line stock trading; corporate finance and consulting services; foreign exchange and securities dealing; and safety deposit facilities.
- Telecommunications - provider of digital wireless communications services, wireline voice communication services, consumer broadband services, other wireline communication services, domestic and international long distance communication or carrier services and mobile commerce services.
- Electronics - electronics manufacturing services provider for original equipment manufacturers in the computing, communications, consumer, automotive, industrial and medical electronics markets, service provider for test development and systems integration and distribution of related products and services.
- Information technology and BPO services - venture capital for technology businesses and emerging markets; provision of value-added content for wireless services, on-line business-to-business and business-to-consumer services; electronic commerce; technology infrastructure hardware and software sales and technology services; and onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, IT support, graphics, advertising production, marketing and communications, human resources, sales, retention, technical support and customer care areas.
- Water utilities - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services in the East Zone Service Area.
- Automotive - manufacture and sale of passenger cars and commercial vehicles.
- International - investments in overseas property companies and projects.
- Others - air-charter services, agri-business, power and others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

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

The following tables present revenue and net income information regarding business segments for the six months ended September 30, 2011 and 2010 and total assets and total liabilities for the business segments as of September 30, 2011 and December 31, 2010 :

September 2011 (in thousands)										
	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecommu- nications	Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others	Intersegment Eliminations
INCOME										
Sales to external customers	24,537	29,680,035			13,405,691	18,113,662	818,864	6,049	7,318,504	
Intersegment	158,257	1,241,197			83,421	-	4,501	-	57,085	(1,544,461)
Equity in net earnings of associates and jointly controlled entities	(75,028)	685,954	3,226,599	2,475,941	-	-	(563,613)	12,084	(24,609)	-
Interest income	925,873	720,824			360,403	8,148	38,729	9,310	2,639	(2,435)
Other income	368,770	301,588			43,907	196,057	58,150	308,048	163,590	(30,741)
Total income	1,402,409	32,629,598	3,226,599	2,475,941	13,893,422	18,317,867	356,631	335,491	7,517,209	(1,577,637)
Operating Expenses	1,105,412	23,164,510			9,132,078	18,119,889	1,029,081	148,073	7,431,472	(1,326,698)
Operating profit	296,997	9,465,088	3,226,599	2,475,941	4,761,344	197,978	(672,450)	187,418	85,737	(250,939)
Interest expense and other financing charges	2,060,047	1,652,971			1,107,218	47,700	10,202	18,230	10,465	(2,435)
Other charges	-	-			-	-	-	-	-	-
Provision for income tax	165,735	1,885,226			787,190	139,031	17,600	(6,014)	30,120	(51,946)
Net income	(1,928,785)	5,926,891	3,226,599	2,475,941	2,866,936	11,247	(700,252)	175,202	45,152	(196,558)
Other information										
Segment Assets	146,375,423	132,343,047			90,118,649	19,950,575	2,796,181	5,157,514	3,292,466	(121,353,869)
Investments in associates and jointly controlled entities	53,690,380	12,257,094			(1,566)	-	5,961,181	2,165,751	296,602	-
Deferred tax assets	736	1,854,906			510,006	4,900			26,478	284,150
Total Assets	200,066,539	146,455,047	-	-	90,627,089	19,955,475	8,757,362	7,323,265	3,615,546	(121,069,719)
Segment liabilities	59,154,010	73,049,700			44,234,797	11,948,537	420,846	3,076,001	1,576,825	(12,152,421)
Deferred tax liabilities		502,065			5,132,768	90,623	3,524	7,132	4,937	
Total Liabilities	59,154,010	73,551,765	-	-	49,367,565	12,039,160	424,370	3,083,133	1,581,762	(12,152,421)

September 2010										
(in thousands)										
	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
INCOME										
Sales to external customers	25,485	25,916,477			9,966,384	13,411,891	956,747	2,438	9,146,627	
Intersegment		302,142			83,963	-	10,516	-	84,492	(481,113)
Equity in net earnings of associates and jointly controlled entities	8,623	683,327	3,053,387	2,290,258	194,702	-	(937,515)	(306,776)	42,652	-
Interest income	840,945	600,198			208,032	13,297	40,506	-	5,916	(3,801)
Other income	509,908	371,873			184,105	212,360	2,436,096	36,945	162,417	(202,525)
Total income	1,384,961	27,874,017	3,053,387	2,290,258	10,637,186	13,637,548	2,506,350	(267,393)	9,442,104	(687,439)
Operating Expenses	1,079,030	20,437,348			6,394,415	13,241,967	1,176,768	910,384	9,209,726	(635,040)
Operating profit	305,931	7,436,669	3,053,387	2,290,258	4,242,771	395,581	1,329,582	(1,177,777)	232,378	(52,399)
Interest expense and other financing charges	1,796,426	1,434,899			786,305	28,683	13,704	23,604	24,492	(3,801)
Other charges	-	-			-	-	-	705,310	-	-
Provision for income tax	141,134	1,561,291			791,698	135,083	7,121	1,951	54,709	(6,703)
Net income	(1,631,629)	4,440,479	3,053,387	2,290,258	2,664,768	231,815	1,308,757	(1,908,642)	153,177	(41,895)
December 2010										
(in thousands)										
	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
Other information										
Segment Assets	108,855,532	112,035,771	-	-	70,664,757	15,501,750	2,419,367	4,630,257	3,073,310	(76,346,697)
Investments in associates and jointly controlled entities	51,346,763	10,846,046	-	-	5,595	-	7,152,191	2,323,414	330,870	-
Deferred tax assets	736	2,917,311	-	-	31,627	5,049	-	-	26,629	(232,204)
Total Assets	160,203,031	125,799,128	-	-	70,701,979	15,506,799	9,571,558	6,953,671	3,430,809	(76,578,901)
Segment liabilities	54,376,004	56,234,114	-	-	30,106,266	7,488,329	353,207	2,939,373	1,654,722	(10,243,267)
Deferred tax liabilities	-	977,161	-	-	4,899,775	-	4,111	7,213	5,182	-
Total Liabilities	54,376,004	57,211,275	-	-	35,006,041	7,488,329	357,318	2,946,586	1,659,904	(10,243,267)

16. Financial Instruments

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

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

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

Noncurrent trade and nontrade receivables - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

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

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

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

Liabilities - The fair values of accounts payable and accrued expenses and short-term debt approximate the carrying amounts due to the short-term nature of these transactions.

The fair value of noncurrent other financial liabilities (fixed rate and variable rate loans repriced on a semi-annual/annual basis and deposits) are estimated using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

Risk Management and Financial Instruments

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

The risk management framework covers the following:

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

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

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

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

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

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of financial assets at FVPL, AFS financial assets, HTM investments, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as cash and cash equivalents, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

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

The Group's risk management policies are summarized below:

Interest Rate Risk

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

Foreign Exchange Risk

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

The table below summarizes the Group's exposure to foreign exchange risk as of September 30, 2011.

	September 2011	
	US\$	Php Equivalent
Assets		
Cash and cash equivalents	117,392	5,134,660
Short-term investments	8,716	381,828
Accounts and notes receivables	1,189	52,000
Other current assets	4,029	176,146
Investment in bonds and other securities	825	36,066
Other noncurrent assets	3,682	160,977
Total assets	135,833	5,941,677
Liabilities		
Accounts payable and accrued expenses	6,718	293,437
Short-term debt	129,611	5,665,332
Long-term debt	199,066	8,721,951
Other noncurrent liabilities	106,075	4,637,477
Total liabilities	441,470	19,318,196
Net foreign denominated liabilities	(305,638)	(13,376,519)

The Group, through MWCI, also has foreign exchange risk from movements in Japanese Yen (Y). Part of MWCI's debt was denominated in this foreign currency. As of September 30, 2011, the net liability in JPY amounted to Y662.7 million with a Php equivalent of P377.4 million.

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

	September 2011	
Foreign currency	Net asset (liabilities)	US\$ equivalent
Philippine peso (PhP)	(722,717)	(16,442)
Czech Koruna (CZK)	(158,932)	(9,529)
Japanese yen (JPY)	(134,712)	(1,745)
Indian rupee (INR)	(48,417)	(989)
Bulgaria Lev. (BGN)	(34,406)	(15,607)
Euro	(22,810)	(32,660)
Singapore dollar (SGD)	(587)	(215)
Australian dollar (AUD)	(201)	(196)
Thai baht (THB)	352	11
Malaysian rupee (MYR)	4,723	1,475
Mexican peso (MXP)	35,511	3,231
Hongkong dollar (HKD)	87,194	11,222
Chinese RMB (RMB)	89,022	14,009

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	(305,638)
	-1.00	305,638
Currency	Increase (decrease) in USD per foreign currency depreciation (appreciation)	Effect on profit before tax
PhP	US\$1.00	(722,717)
	-1.00	722,717
JPY	1.00	(134,712)
	-1.00	134,712
INR	1.00	(48,417)
	-1.00	48,417
THB	1.00	352
	-1.00	(352)
SGD	1.00	(587)
	-1.00	587
RMB	1.00	89,022
	-1.00	(89,022)
HKD	1.00	87,194
	-1.00	(87,194)
MYR	1.00	4,723
	-1.00	(4,723)
BGN	1.00	(34,406)
	-1.00	34,406
CZK	1.00	(158,932)
	-1.00	158,932
MXP	1.00	35,511
	-1.00	(35,511)
Euro	1.00	(22,810)
	-1.00	22,810
AUD	1.00	(201)
	-1.00	201

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

Liquidity Risk

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore.

Credit Risk

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

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

Consolidated Sales and Services in the first nine months of 2011 increased by 17% year-on-year to P69.4 billion. This was mainly driven by the strong revenue growth posted by Ayala Land, Inc. (ALI), which rose by 17% as result of higher sales across all its businesses. Revenues from Integrated Microelectronics, Inc. (IMI) were likewise up 43% reflecting both organic and inorganic growth following the purchase of PSI Technology and the strong growth of its China operations as it shifted more towards turnkey versus consignment operations. The nine months' consolidated sales and services also reflect nine months of revenues of Manila Water Co. (MWC) this year versus only seven months' revenues in the same period last year. The water company was fully consolidated only beginning March of 2010. The growth in consolidated sales and services, however, was partly offset by the decline in revenues of the automotive unit which was impacted by supply disruptions after the calamities that hit Japan early this year.

Consolidated cost of sales increased by 16% to P51.1 billion, which is in line with the increase in consolidated sales. Higher interest expense due to increased loan balances particularly of the parent company, ALI, and MWC resulted in a 19% growth consolidated interest expense and financing charges. Net income attributable to equity holders of Ayala Corporation rose by 7% to P7.3 billion as of the end of the first nine months of the year.

REAL ESTATE

Ayala Land sustained its earnings growth trajectory in the third quarter which resulted in another record high earnings for the first 9 months of the year. Net income year-to-date September reached 5.2 billion pesos, 33% higher than same period last year. This growth was driven by sustained revenue growth and improvement in operating efficiencies.

Ayala Land's revenues through the first nine months of the year reached 32.6 billion pesos, up 17% compared to the same period last year. Strong double-digit revenue growth was posted across all its key businesses. Revenues from property development increased by 30% mainly from steady completion and strong bookings across all residential brands. This was pushed further by the sale of commercial lots in Nuvali. Revenues from commercial leasing business also grew steadily, posting an 11% improvement year-on-year as a result of higher average lease rates and occupied GLA in both its malls and BPO offices. Significant headway was also realized from hotels and resorts as well as construction services, which all contributed to revenue growth.

The underlying demand in the real estate sector remains strong. Take-up and bookings of residential projects accelerated in the third quarter across all brands. Take-up value reached a record of P15.1 billion in the third quarter as monthly sales take-up increased to an average of P5 billion versus P4 billion on average in the first half of the year. Bookings kept pace with the take-up across brands. In the first nine months, Ayala Land launched 10,045 units, nearly equivalent to the number of launches for the full year of 2010. Target launches for full year 2011 are on track, with Avida and Amaia projects being the significant drivers in terms of volume.

In the commercial leasing segment, revenues from the office building portfolio grew by 20% which can be attributed to improved occupancy in BPO buildings. Occupied BPO GLA has reached 230,000 square meters, with 86% leased out.

ELECTRONICS

IMI recorded US\$420.1 million in consolidated sales revenues for the nine months ended September 30, 2011, a 43% increase year-on-year. The healthy revenue growth was due to increased turnkey business in China, strong business in the automotive and industrial segments for the Philippine operations, and additional revenues from PSi Technologies Inc and IMI's new entities in Eastern Europe and Mexico. Higher material and direct labor costs, however, caused margins to decline during the first nine months. This resulted to a consolidated net income of US\$1.6 million, 67% percent lower than last year.

The company's operations in China and Singapore generated US\$213.8 million revenues in the nine-month period, a 16% year-on-year growth due mainly to new turnkey programs for major customers. The Philippine operations posted US\$118.2 million in revenues, up by 9% from the same period last year due to strong programs in the automotive and industrial sectors, which compensated for the shrinking storage device business.

PSI contributed US\$61.4 million revenues from January to September of this year. Sales posted by the entities in Bulgaria, The Czech Republic, and Mexico totaled US\$25.7 million covering the months of August and September.

WATER

Manila Water recorded total operating revenues of P8.9 billion, 7% higher year-on-year on the back of the approved adjustments in tariff for the year in the East Zone, and 19% growth in revenues from new businesses, which accounted for 2% of the total revenues. Average tariff was up 5% as a result of the tariff adjustments implemented this year. Service connections in the East Zone also helped lift revenues as it increased by 4% as of September 2011 with 30,400 new connections both from existing and expansion areas. Laguna Water and Boracay Water added about 10,000 and 500 new connections, respectively. These will serve as catalysts for increased volume sales looking forward.

The growth in revenues and a 4% increase in operating expenses resulted in an 8% increase in EBITDA. Consequently, core income after tax increased by 13% to P3.3 billion while net income registered a 5% increase to P3.1 billion, reflecting the mark-to-market loss on the 4-billion peso bond.

Total billed volume sales in the East Zone increased marginally year-on-year. This was attributed to the prolonged rainy season this year and increased water conservation efforts of industrial users. Meanwhile, Laguna Water registered an 18% increase in billed volume as a result of its network expansion programs while Boracay Water increased billed volume by 20% due to the 12% growth in tourist inflow.

Operating efficiencies continued to improve. Non-revenue water in the East Zone is down to 11.4% and stays well within the target range. Further gains are expected as Laguna Water and Boracay Water continue network improvement projects

AUTO

Ayala's auto dealerships posted revenues of P7.2 billion which was 20% lower compared to last year. The decline was primarily due to lower vehicle sales as a result of end-of-life models and supply constraints. Supply disruptions may be further exacerbated in the coming months as a result of the flooding incidents in Thailand which affected Honda manufacturing sites. As a result of lower sales, Ayala Auto's net income in the first nine months of the year declined by 68% from last year's level on account of lower sales volume and income from collateral business. This was further exacerbated by a share in net loss of HCPI compared to a P50M share in net income last year. Despite these challenges, however, the Ayala dealerships continued to lead both Isuzu and Honda networks with 32% and 47% market share, respectively.

Equity in Net Earnings

Equity in Net Earnings amounted to P5.74 billion in the first nine months of the year, 14% higher than the P5.03 billion recorded in the same period last year. This was driven mainly by the strong performance of Bank of the Philippine Islands, the continued recovery of Globe Telecom, and improvements in Livelt. Equity earnings in the same period last year also included AG Holdings' share in the losses of its US projects which was booked as an associate up to November 2010.

BANKING

Bank of the Philippine Islands' nine-month net income reached P9.6 billion, up by 6% year-on-year. Total revenues were 7% higher than same period last year, driven by a 9% increase in net interest income. Net interest income growth was boosted by a P67 billion increase in average asset base, while net interest margins remained stable. Loan growth was healthy at 22% year-on-year. Growth was broad based across all market segments with top tier corporate, middle market, SMEs, and consumer loans posting double-digit expansions. Despite the strong loan growth, asset quality remains better than industry as 30-day non performing loan ratio improved further to 2.3%. In the meantime, non-interest income was just slightly ahead of the previous year as securities trading gain fell short by P809 million from last year as expected. This was, however, more than compensated for by higher fees and commissions, income from insurance operations, and other operating income. The bank's total intermediated funds increased by 20% to P1.3 trillion, coming mainly from a 44% growth in assets under management.

TELECOM

Globe Telecom generated a new record high in service revenues in the third quarter of P17 billion, up 3% versus prior quarter and 13% versus same period last year, notwithstanding expectations of a seasonally lean quarter. This put service revenues at close to P50 billion in the first nine months of the year, up 9% year-on-year. Operating expenses and subsidy increased by 9% year-on-year from P21.0 billion to P23.0 billion due mainly to higher marketing and subsidy costs related to the Company's acquisition, retention, and brand-building programs. Network-related expenses also rose to support an expanded mobile and broadband network. Strong revenue growth, however, cushioned the impact of higher operating costs, resulting in consolidated EBITDA margin of 54% steady against last year.

Consolidated net income after tax closed at nearly P8.0 billion as of end-September, 7% higher than last year's level of P7.4 billion. Excluding foreign exchange and mark-to-market gains and losses as well as non-recurring items, core net income after tax stood close to P8.2 billion, 15% over last year's P7.1 billion.

Globe registered healthy subscriber growth in both mobile and broadband. Mobile service subscribers grew by as much as 15% year-on-year to 29.1 million subscribers, while broadband service subscribers increased by 36% to 1.4 million year-on-year. The mobile business, which contributes close to 80% of consolidated revenues, delivered strong results, anchored on the continued growth of domestic core services such as voice and SMS, coupled with the rapid rise in mobile browsing usage. Strong take-up for the Company's customizable postpaid plans, innovative all-network offers, and unlimited voice and SMS promos offering superior value were the key contributors to this period's growth.

BUSINESS PROCESS OUTSOURCING (BPO)

The investee companies of Livelt achieved healthy revenue and EBITDA growth. Combined revenues were US\$ 736 million for year-to-date September, 20% higher than last year due to the growth of client volumes across all investees. Greater scale and cost efficiencies resulted in Livelt's share of EBITDA rising by 42% to US\$ 16 million, and operating net income reaching US\$ 0.4 million during the period. Livelt however reported a net loss of US\$19 million after taking into account financing and non-operating expenses.

Interest & Other Income

Interest income increased by 21% to P2.06 billion due mainly to a higher level of funds invested by the parent company as well as ALI and MWC. This also reflects the full nine months' interest income of MWC compared to only six months' interest income reflected in the same period in 2010.

Other income declined by 62% to P1.41 billion from P3.7 billion as last year included a revaluation gain of P2.3 billion on the investments in Integreon arising from the entry of Actis in Integreon.

Costs and Expenses

Consolidated cost of sales increased by 16% to P51.1 billion, in line with the increase in consolidated sales and services of 15%. This mainly reflects the impact of the continued cost containment measures implemented by ALI which resulted in its cost of sales increasing at much lower rate than the increase in its sales. This was partly offset by higher increase in MWC's cost of sales relative to the increase in its sales.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 19% to P4.9 billion largely because of higher interest expense of ALI, AC, and MWC as a result of higher loan balances.

Balance Sheet Highlights

Consolidated cash and cash equivalents and short term investments was at P71.77 billion as of the end of the first nine months of this year compared to P57.13 billion at the beginning of the year. This was mainly due to proceeds from fund raising initiatives of ALI, AC parent company, and MWC in anticipation of planned capital expenditures. As a result, consolidated loans payable rose by 36% to P112.39 billion due to these new loans availed. Despite the increase in debt level, consolidated

current ratio and net debt to equity ratio remain healthy at 2.11:1.00 and 0.43:1.00, respectively as of the end of September 2011.

Key Performance indicators:

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

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

	YTD September 30, 2011	YTD September 30, 2010
Revenue	78,578 million	66,405 million
Net income	7,286 million	6,782 million
Basic earnings per share 1/	9.05	12.01
	As of September 30, 2011	As of September 30, 2010
Current Ratio 2/	2.11	2.38
Debt-to-Equity Ratio 3/	1.06	0.77

1/ Net income applicable to common shareholders / weighted average number of common shares

2/ Current assets / current liabilities

3/ Short-term debt, current & non-current long-term debt / equity attributable to equity holders of the parent

2.1 Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

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

2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:
None

2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:
None

2.4 Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

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

For the first nine months of 2011, ALI's consolidated project and capital expenditures amounted to P19.8billion, about 61% of the P32.6 billion budget for the whole year. About 58% was spent for residential projects, 14% for land acquisition, 12% for shopping centers, 8% for hotels and resorts, and the balance spent on offices, commercial and industrial lot development, and other land development activities in the Company's strategic landbank areas.

MWCI expects P11.7 billion capital expenditures in 2011 for the rehabilitation and construction of facilities to improve water and sewer services in the East Zone Service Area. These will be funded from the current cash reserves, internal funds generation and proceeds of available loan facilities.

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

- 2.5 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Company's and its subsidiaries' performance will continue to hinge on the overall economic performance of the Philippines and other countries where its subsidiaries operate. Interest rate movements may affect the performance of the real estate, banking and automotive groups, including the Company. Significant fluctuations of the foreign exchange rates may also impact on the electronics manufacturing and information technology and business process groups.

- 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
(September 30, 2011 Vs. December 30, 2010)**

Cash and cash equivalents – 26% increase from P53,143mln to P66,989mln

Dividends received net of dividends paid, reclassification from short-term investments and disbursements to fund various investments by the parent company. Also contributing were proceeds from loans of the parent company, real estate and water utilities groups; improvement in sales of various groups partially offset by investments of the real estate and international operations groups. As a percentage to total assets, cash and cash equivalents increased to 19% from 17% as of September 30, 2011 and December 31, 2010, respectively.

Short-term investments – 20% increase from P3,994mln to P4,780mln

Increase due to the higher investible funds of parent company, real estate and water utilities groups. This account is at 1% of the total assets as of September 30, 2011 and December 31, 2010.

Accounts receivable (current) – 21% increase from P26,184mln to P31,596mln

Increase due to the higher sales of the real estate, electronics and water utilities groups. This account is at 9% and 8% of the total assets as of September 30, 2011 and 8% as of December 31, 2010, respectively.

Inventories – 21% increase from P18,375mln to P22,143mln

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 manufacturing. This account is at 6% of the total assets as of September 30, 2011 and December 31, 2010.

Other current assets – 45% increase from P6,912mln to P10,000mln

Increase due to the higher prepaid expenses arising from new projects offset by matured fixed income securities of the real estate group; acquisition of certain investments of the international

operations group. This account is at 3% and 2% of the total assets as of September 30, 2011 and December 31, 2010, respectively.

Accounts receivable (non-current) – 10% increase from P4,793mln to P5,285mln

Increase due primarily to the higher sales of the real estate group. This account is at 2% of the total assets as of September 30, 2011 and December 31, 2010.

Land and improvements – 5% increase from P16,434mln to P17,211mln

Increase due primarily to the higher land banking and new projects of real estate group. This account is at 5% of the total assets as of September 30, 2011 and December 31, 2010.

Investment in bonds and other securities – 16% increase from P4,854mln to P5,640mln

Increase due primarily to new investments of the real estate group. This account is at 2% of the total assets as of September 30, 2011 and December 31, 2010.

Investment in real properties – 8% increase from P29,488mln to P31,891mln

Increase due primarily to expansion and new projects of real estate group. This account is at 9% of the total assets as of September 30, 2011 and December 31, 2010.

Property and equipment – 12% increase from P11,699mln to P13,102mln

Increase due primarily to capital expenditures of the real estate group; and expansion projects and acquisition of a new subsidiary of the electronics group. This account is at 4% of the total assets as of September 30, 2011 and December 31, 2010.

Service concession asset – 6% increase from P59,098mln to P62,937mln

Increase due primarily to expansion and new projects of water utilities group. This account is at 18% and 19% of the total assets as of September 30, 2011 and December 31, 2010, respectively.

Intangible assets – 31% increase from P3,083mln to P4,051mln

Mainly caused by recording of preliminary goodwill arising from acquisition by subsidiaries under information technology & business process, electronics and others (energy) groups. As of September 30, 2011 and December 31, 2010, this account is at 1% of the total assets, respectively.

Other non-current assets – 13% increase from P2,587mln to P2,916mln

Mainly caused by higher construction deposits of the real estate group. As of September 30, 2011 and December 31, 2010, this account is at 1% of the total assets, respectively.

Accounts payable and accrued expenses – 18% increase from P37,897mln to P44,599mln

Primarily caused by increase in payables of the real estate group arising from new projects and expansion; and higher payables due to better operations of water utilities and electronics manufacturing groups. This account is at 24% and 25% of the total liabilities as of September 30, 2011 and December 31, 2010.

Short-term debt – 25% increase from P4,519mln to P5,662mln

Mainly caused by availments of the real estate and electronics manufacturing groups to support higher sales and inventory purchases; partially offset by lower loans balance of automotive group on account of lower inventories. Short-term debt remained at 3% of the total assets as of September 30, 2011 and December 31, 2010.

Income tax payable – 21% increase from P441mln to P534mln

Higher taxable income of most of the subsidiaries. As a percentage to total liabilities, this account is at 0.3% as of September 30, 2011 and December 31, 2010.

Current portion of long-term debt – 21% decrease from P11,237mln to P8,916mln

Largely due to payment of matured loans of electronics manufacturing, water utilities and other groups. As of September 30, 2011 and December 31, 2010, current portion of long-term debt is at 5% and 7% of the total liabilities, respectively.

Service concession obligation – current portion – 57% increase from P794mln to P1,250mln

A liability account of the water utilities group which was fully consolidated starting 2010. Increase was mainly due to higher computed and actual obligation due within one year. This account is at 1% of the total liabilities as of September 30, 2011 and December 31, 2010.

Other current liabilities – 19% increase from P2,631mln to P3,124mln

Mainly caused by higher payables of the real estate group brought by more projects. As of September 30, 2011 and December 31, 2010, this account is at 2% of the total liabilities.

Non-current portion of long-term debt – 46% increase from P67,080mln to P97,811mln

Mainly new loans availed and new notes payable/bonds issued by the parent company, real estate and water utilities groups offset by payments by the international operations group. As of September 30, 2011 and December 31, 2010, non-current portion of long-term debt is at 52% and 45% of the total liabilities, respectively.

Pension liabilities – 16% increase from P341mln to P394mln

Largely on account of increase in water utilities group. This account stood at 0.2% of the total liabilities as of September 30, 2011 and December 30, 2010, respectively.

Other non-current liabilities – 10% increase from P10,942mln to P12,007mln

Mainly caused by higher payables and deposits of the real estate group brought by more projects. As of September 30, 2011 and December 31, 2010, this account is at 10% and 7% of the total liabilities, respectively

Cumulative translation adjustment – 25% increase from -P1,763mln to -P2,200mln

Mainly due to decline in the information technology, business process and outsourcing services group.

Net unrealized gain on available-for-sale financial assets – 27% decrease from P1,129mln to P823mln

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

Equity reserve – 56% increase from P148mln to P231mln

Arising from business combination transactions of real estate, electronics and electronics manufacturing groups.

Treasury stock – 34% increase from P4,832mln to P6,477mln

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

Noncontrolling interest – 6% increase from P59,245mln to P62,786mln

Mainly due to higher share of noncontrolling interest on better operations of the financial, water services, and tele-communication groups.

Income Statement items

(YTD September 30, 2011 Vs YTD September 30, 2010)

Sales and services revenue – 17% increase from P59,426mln to P69,367mln

Improved sales performance of real estate, electronics and water utilities groups plus effect of full consolidation of the water utilities group for six months in 2011 vs. seven months in 2010; offset by lower sales performance of the automotive and others group. As a percentage to total income, sales and services is 88% to 85% in 2010 and 2011, respectively.

Equity in net earnings of associates and jointly ventures – 14% increase from P5,029mln to P5,737mln

Increase mainly due to improved earnings of financial services and tele-communications groups. As a percentage to total income, this account is 7% to 8% in 2010 and 2011, respectively.

Interest income – 21% increase from P1,705mln to P2,063mln

Improved income arising from higher investible funds by the parent company, real estate and water utilities groups. This account is 3% and 2% of the total income in 2011 and 2010, respectively.

Investment and other income – 62% decrease from P3,711mln to P1,409mln

Decline caused by a gain of the information and business process group which was booked in 2010. This account is at 2% and 5% of the total income in 2011 and in 2010, respectively.

Costs of sales and services – 16% increase from P44,065mln to P51,112mln

Increase attributable to higher sales of the real estate, electronics and water utilities groups; offset partially by lower costs of automotive and others group. Cost of sales account is at 80% and 78% of total costs and expenses in 2011 and 2010.

Interest expense and other financing charges – 19% increase from P4,104mln to P4,904mln

Increase mainly due to higher borrowings of the parent company, real estate and water utilities groups. This expense classification accounts for 8% and 7% of costs and expenses in 2011 and 2010.

Other charges – 100% decrease from P706mln in 2010

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

Provision for income tax – 10% increase from P2,686mln to P2,967mln

Primarily due to higher taxable income of the majority of the subsidiaries significant part of which comes from real estate, electronics and water utilities groups on account of better sales and other operating results.

2.8 Any seasonal aspects that had a material effect on the financial condition or results of operations.

Ayala Corporation being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.

ALI's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

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

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

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

Awarding by the Provincial Government of Negros Occidental to ALI of the right to purchase 3.66 hectares of the Provincial Capitol Property, and to lease the remaining 4.04 hectares for a period of 50 years

ALI's creation of a Bella Vita, the fifth residential brand that will engage in socialized housing developments, to be pursued via South Maya Ventures Corp. (SMVC)

3.0 Other material events or transactions during the interim period.

The Company on May 12, 2011 issued the P10,000,000,000.00 6.80% Fixed Rate Multiple Put Bond, due 2021. Part of the proceeds were used to redeem the P5.8 Bn Ayala Corporation Preferred B shares in July 2011.

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

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

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

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

MWCI issued ₱10.0 billion notes ("Fixed Rate Corporate Notes"), ₱5.0 billion with an interest rate of 6.3385% payable in 5 years ("Five-Year FXCN Note"). The balance of ₱ 5.0 billion has an interest rate of 7.3288% with a 10 year ("Ten-Year FXCN Note") term from the issue date. Interest on both notes is payable quarterly.

PART II – OTHER INFORMATION

1. The annual meeting of stockholders of Ayala Corporation was held at the grand Ballroom of the Hotel InterContinental Manila on April 18, 2011.
2. The Board of Directors at its special meeting held on February 22, 2011 approved the following:
 - a. The increase of the authorized capital stock from P37 billion to P56.2 billion through the increase in the number of common shares from 596,000,000 shares to 900,000,000 shares with a par value of P50 per share, and the creation of 40,00,000 Series C preferred shares with par value of P100 per share and the same basic features as the Series A and Series B preferred shares.
 - b. The amendment of Article VII of the Articles of Incorporation to reflect the increase and other changes in the capital stock as stated above.
 - c. The declaration of a 20% stock dividend to all common stockholders to be issued from the issuance in authorized capital stock of the Corporation.
 - d. The increase in the compensation of non-executive directors from P11M to P2.4M effective 2011-2012 board term.
 - e. The amendment of (i) Article IV, Section 21 of the By-laws to authorize the Board to fix the compensation of directors subject to certain limits, and (ii) Article III, Section 3 of the By-laws to provide for electronic communication to shareholders.
3. Ayala Corporation (AC) and Ayala Land, Inc. (ALI) exchanged their ownership interests in ARCH Capital Management Company Limited (ARCH Capital) and ARCH Capital Asian Partners, G.P., (together ARCH) with the Rohatyn Group (TRG), resulting in TRG acquiring AC's and ALI's combined 50% interest in ARCH.
4. Ayala Corporation posts 37% increase in profits to P11.2B in 2010.
5. The Board of Directors at its regular meeting held on March 14, 2011 approved the following:
 - a. The offer and issuance of the Ayala Peso Multiple Puttable Bonds (the Bonds) in the principal amount of P6 Billion with an oversubscription of up to P4 Billion.
 - b. The exercise of the call option on the Preferred B shares on the 5th year from Issue Date of the said shares or on July 21, 2011. The Preferred B shares shall be redeemed at a redemption price equal to the Issue price plus all accrued and unpaid dividends up until July 21, 2011 based on the dividend rate of 9.4578% per annum.
 - c. The declaration and payment of the annual cash dividends of 5.2817% per annum to all shareholders of the company's outstanding unlisted Voting preferred Shares with record date of April 26, 2011 and payment date of May 20, 2011.
6. Ayala Corporation, through Michigan Power, Inc., a 100%-owned subsidiary, acquired a 50% effective stake in Northwind Power Development Corporation (Northwind). Northwind owns and operates the 33-MW wind farm located in Bangui Bay, Ilocos Norte.
7. Ayala Corporation on March 14, 2011 filed with the Securities and Exchange Commission the Registration Statement covering the offering and issuance of the Ayala Peso 6.80% Multiple Put Bonds due 2021 in the principal amount of P6 Billion, with an oversubscription option of up to P4 Billion to refinance the 5.8Bn Preferred B shares which were called July 2011.

8. Ayala Corporation reported various purchases of common shares pursuant to the share buyback program approved by the Board of Directors on 10 September 2007, 02 June 2010 and 10 December 2010.
9. Ayala Corporation through its wholly-owned subsidiary Michigan Power, Inc. (MPI) entered into a joint venture (JV) with Sta. Clara Power Corporation (SCP) for the development of run-of-the-river hydroelectric power projects across the Philippines. MPI will take a 70% stake in the JV and has committed an initial equity infusion of about P600 million.
10. At the annual meeting of stockholders held April 18, 2011, the stockholders approved the following:
 - a. The ratification of increase of the authorized capital stock from P37 billion to P56.2 billion through the increase in the number of common shares from 596,000,000 shares to 900,000,000 shares with a par value of P50 per share, and the creation of 40,00,000 new Series C preferred shares with par value of P100 per share.
 - b. The ratification of amendment of Article VII of the Articles of Incorporation to reflect the increase and other changes in the capital stock as stated above.
 - c. The declaration of a 20% stock dividend to all common stockholders equivalent to 96,983,420 common shares to be issued from the increase in authorized capital stock of the Corporation.
 - d. Election of Sycip, Gorres, Velayo & Co. as the external auditors of the Company for the fiscal year 2011.
 - e. Election of the following as directors:

Jaime Augusto Zobel de Ayala	Delfin L. Lazaro
Fernando Zobel de Ayala	Xavier P. Loinaz*
Ramon R. del Rosario, Jr.*	Antonio Jose U. Periquet*
Nobuya Ichiki	
Elected as independent directors*	
 - f. The increase in the compensation of non-executive directors

	From	To
Retainer fee	500,000.00	1,200,000.00
Board Meeting Fee per meeting attended	100,000.00	200,000.00
Audit Com Meeting Fee per meeting attended	20,000.00	100,000.00
Other Com Meeting Fee per meeting attended	20,000.00	50,000.00

At its organizational meeting held immediately after the stockholders' meeting, the Board of Directors elected the following:

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 P. Loinaz – Chairman
 Nobuya Ichiki - Member
 Ramon R. del Rosario, Jr.- Member

Nomination Committee

Ramon R. del Rosario, Jr.- Chairman
 Jaime Augusto Zobel de Ayala – Member
 Fernando Zobel de Ayala – Member

Proxy Validation Committee

Soloman M. Hermosura – Chairman
 Jaime P. Villegas - Member
 Rufino F. Melo III – Member

Personnel and Compensation Committee

Ramon R. del Rosario, Jr. – Chairman
 Delfin L. Lazaro – Member
 Nobuya Ichiki – Member

Finance Committee

Delfin L. Lazaro – Chairman
 John Eric T. Francia – Member
 Antonio Jose U. Periquet – Member
 Gerardo C. Abalza, Jr. – Member
 Delfin C. Gonzalez – Member

Officers:

Jaime Augusto Zobel de Ayala
 Fernando Zobel de Ayala
 Mercedita S. Nollado
 Gerardo C. Ablaza, Jr.

Chairman & Chief Executive Officer
 Vice Chairman, President & Chief Operating Officer
 Senior Counsel
 Senior Managing Director

Antonino T. Aquino	Senior Managing Director
Rufino Luis T. Manotok	Senior Managing Director
Arthur R. Tan	Senior 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
Solomon M. Hermosura	Managing Director, General Counsel, 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
Sheila Marie U. Tan	Assistant Corporate Secretary

Ayala Group of Companies Management Committee:

Jaime Augusto Zobel de Ayala	Chairman & Chief Executive Officer, Ayala Corp.
Fernando Zobel de Ayala	President & Chief Operating Officer, Ayala Corp.
Gerardo C. Ablaza, Jr.	President, Manila Water Company, Inc.
Antonino T. Aquino	President, Ayala Land, Inc.
Alfredo I. Ayala	Chief Executive Officer, LiveIT Investments, Ltd.
Ernest Lawrence L. Cu	President, Globe Telecom, Inc.
John Eric T. Francia	Group Head, Corporate Strategy and Development, Ayala Corporation
Victoria P. Garchitorena	President, Ayala Foundation, Inc.
Delfin C. Gonzalez, Jr.	Chief Finance Officer, Ayala corporation
Solomon M. Hermosura	Group Head, Legal and Compliance, Ayala Corp.
Rufino Luis T. Manotok	Chairman, Ayala Automotive Holdings Corporation
Aurelio R. Montinola III	President, Bank of the Philippine Islands
John Philip S. Orbeta	Group Head, Corporate Resources, Ayala Corp.
Arthur R. Tan	President, Integrated Micro-Electronics, Inc.

Ayala Corporation Management Committee:

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

11. There were changes in the figures presented in the Audited Financial Statements contained in Ayala Corporation's Definitive Information Statement. These changes or adjustments pertain to certain items in the Notes to Consolidated Financial Statements and will not change the Company's Consolidated Statements of Financial Position as of December 31, 2010 and 2009 and the related Consolidated Statements of Income for the years then ended. These changes will be incorporated in the Company's Annual Report (with Audited Financial Statements).
12. Ayala Corporation's Business Process Outsourcing (BPO) investment company, LiveIT Investments Ltd., announced that its investee company HRMall (the "Company"), which provides outsourced IT-enabled HR services out of Manila, has entered into a definitive agreement to acquire IQ Back Office, LLC of Angeles, California, which delivers high quality, software-enabled, real-time, SAS70 Type II-certified finance and accounting BPO services to mid-sized companies in the U.S.
13. The Board of Directors, at its regular meeting, considered and approved the declaration of a regular cash dividend of P2.00 per share corresponding to the first semester ending June 30, 2011, on outstanding common shares of the Corporation's capital stock as of record date June 30, 2011, paid on July 26, 2011.

14. Ayala Corporation redeemed on 21 July 2011, 58,000,000 Ayala Corporation Preferred Class B shares ("ACPR") representing all of the outstanding ACPR shares. The shares will form part of the treasury shares until they are re-issued.
15. Securities and Exchange Commission (SEC) approved on 21 September 2011, the amendments to Ayala Corporation By-laws:
 - a) In Article IV, Section 21, setting a lower limit on the total yearly compensation of directors from 10% to 1% of prior year's net income and granting the Board authority to determine the amount, form and structure of the fees and other compensation of the directors upon recommendation of the compensation and remuneration committee of the Board; and
 - b) In Article III, Section 3, providing for electronic communication to shareholders.
16. Ayala Corporation Executive Committee approved on September 28, 2011 the early redemption of Php6 Billion Bonds on November 22, 2011 in accordance with the terms and conditions of the trust Indenture Agreement dated November 12, 2007. The bonds shall be redeemed by payment in cash of the redemption price set at 100% of the Issue Price plus all accrued and unpaid interest based on the coupon rate of 6.825% per annum plus an early redemption penalty of 0.50%.

SIGNATURES

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

Registrant **AYALA CORPORATION**

By:



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

Date: November 14, 2011

