PRELIMINARY PROSPECTUS

Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226
Telephone Number: (632) 750-6694

₱10.0 Billion Fixed Rate Bonds Due 2024

Issue Price: 100% of Face Value
Interest Rate: [●] p.a.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

Issue Manager

Joint Lead Underwriters

Co-Lead Underwriters

The date of this Preliminary Prospectus is July 10, 2013.

Ayala Land, Inc. ("Ayala Land," the "Issuer" or the "Company") is offering fixed rate bonds with an aggregate principal amount of up to ₱21,000,000,000.00, to be issued in one or more tranches. The first tranche of the bonds, with an aggregate principal amount of ₱10,000,000,000 (the "Bonds"), shall be issued on [July 30, 2013] (the "Issue Date"), or such other date as may be agreed by the Issuer and the Joint Lead Underwriters. The succeeding tranche/s of the Bonds are proposed to be issued under a shelf registration within one (1) year from the date hereof.

The Bonds shall have a term ending ten (10) years and six (6) months from the Issue Date, or on [January 30, 2024], with a fixed interest rate of [●%] per annum. Interest on the Bonds shall be payable semi-annually in arrears on [January 30] and [July 30] of each year while the Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the Maturity Date while the Bonds are outstanding (see *"Description of the Bonds" – "Interest*").

Subject to the consequences of default as contained in the Trust Agreement, and unless otherwise redeemed prior to Maturity Date, the Bonds will be redeemed at par (or 100% of face value) on the Maturity Date (see *"Description of the Bonds" - "Redemption and Purchase"*).

The Bonds shall constitute the direct, unconditional, and unsecured obligations of Ayala Land and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of Ayala Land, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Ayala Land's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

The Bonds have been rated [●] by Credit Rating and Investors Services Philippines, Inc. ("CRISP"). Obligations rated [●] are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is strong. AAA is the highest rating assigned by CRISP. The rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency concerned.

The Bonds shall be offered to the public at face value through the Joint Lead Underwriters and Co-Lead Underwriters named below with the Philippine Depository & Trust Corp. ("PDTC") as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Register of Bondholders, and listed in the Philippine Dealing & Exchange Corp. ("PDEx"). The Bonds shall be issued in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

Ayala Land expects to raise gross proceeds of up to ₱21,000,000,000 from one or more tranches of the offering. For the first tranche, the net proceeds are estimated to be approximately ₱9,900,000,000, after deducting fees, commissions and expenses relating to the offering of the Bonds. Proceeds of the Offer are intended to be used for general corporate purposes (see "Use of Proceeds"). The Underwriters shall receive a fee of up to ₱37,500,000 on the final aggregate nominal principal amount of the Bonds issued.

On June 27, 2013, Ayala Land filed a Registration Statement with the Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of the Bonds up to an aggregate principal amount of ₱21,000,000,000, to be issued in one or more tranches (see Plan of Distribution). The SEC is expected to issue an order rendering the registration statement effective, and a corresponding permit to offer securities for sale covering the Offer.

After the close of the Offer and within one (1) year following the issuance of the Bonds, Ayala Land may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of debt securities covered by such registration statement, in one or more subsequent tranches under paragraph 2 of Rule 8.1 of the Securities Regulation Code's Implementing Rules and Regulations. Such a shelf registration provides Ayala Land with the ability to take advantage of opportunities in a volatile debt capital market, as these occur.

However, there can be no assurance in respect of: (i) whether Ayala Land would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by Ayala Land to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within Ayala Land's control, including but not limited to: prevailing interest rates, the financing requirements of Ayala Land's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The Offer is being conducted exclusively in the Philippines and pursuant to requirements under Philippines laws, rules and regulations that may be different from those of other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Bonds in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, nor may any offering material relating to the Bonds be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

Ayala Land confirms that this Preliminary Prospectus contains all information relating to the Company, its subsidiaries and affiliates which is, in the context of the issue and offering of the Bonds, material (including all information required by the applicable laws of the Republic of the Philippines). There are no other facts the omission of which would make any statement in this Preliminary Prospectus misleading in any material respect. Ayala Land confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Preliminary Prospectus. Ayala Land, however, has not independently verified any such publicly available information, data or analysis.

Neither the delivery of this Preliminary Prospectus nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Preliminary Prospectus is accurate as of any time subsequent to the date hereof. The Underwriters do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Preliminary Prospectus.

The contents of this Preliminary Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the Bonds receiving a copy of this Preliminary Prospectus acknowledges that he has not relied on the Underwriters in his investigation of the accuracy of such information or in his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds. Investing in the Bonds involves certain risks. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on "Risk Factors and Other Considerations."

No dealer, salesman or other person has been authorized by Ayala Land and the Underwriters to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Ayala Land or the Underwriters.

Ayala Land is organized under the laws of the Republic of the Philippines. Its principal office is at the Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226, with telephone number (632) 750-6694.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OF COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICATION OF AN OFFER TO BUY.

AYALA LAND, INC.

By:

ANTONINO T. AQUINO
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

Before me, a notary public in and for the city named above, personally appeared Antonino T. Aquino with Passport No. XX4033426 issued at Manila on June 25, 2009, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this ___ day of ____________________ 2013 at Makati City.

Doc No. _____;
Book No. ____;
Page No. ____;
Series of 2013.

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FORWARD-LOOKING STATEMENTS

This Preliminary Prospectus contains certain “forward-looking statements.” These forward-looking statements have been based largely on the Company’s current expectations and projections about future events and financial trends affecting its business. Words or phrases such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “foresees” or other words or phrases of similar import are intended to identify forward-looking statements. Similarly, statements that describe Ayala Land’s objectives, plans or goals are also forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Preliminary Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statements. Important factors that could prevent forward-looking events and circumstances from occurring or could cause actual results to differ materially from the expectations of Ayala Land include, among others:

General Economic and Political Conditions

- changes in Philippine and international interest rates
- changes in political, economic and social conditions in the Philippines
- changes in foreign exchange control regulations in the Philippines
- changes in the value of the Philippine Peso

Conditions of the Real Estate Industry

- increasing competition in the Philippine real estate industry
- changes in laws and regulations that apply to the Philippine real estate industry

Factors Affecting Ayala Land’s Operations

- Ayala Land’s ability to maintain and further improve its market share in the various segments of the Philippine real estate market
- demand for Ayala Land’s projects in the Philippines
- Ayala Land’s ability to enter into various financing programs
- operational and implementation issues that Ayala Land may encounter in its projects
- Ayala Land’s ability to manage changes in costs attendant to operations

For a further discussion of such risks, uncertainties and assumptions, see the *“Risk Factors and Other Considerations”* section of this Preliminary Prospectus. Prospective purchasers of the Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Preliminary Prospectus and Ayala Land undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

DEFINITION OF TERMS

As used in this Preliminary Prospectus, the following terms shall have the meanings ascribed to them:

“Affiliate” shall mean, with respect to Ayala Land, Inc., any corporation directly or indirectly controlled by it, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of management, contract or authority granted by said corporation to Ayala Land, Inc.

“Application to Purchase” shall mean the document to be accomplished by applicants for the application to purchase the Bonds.

“Ayala Group” refers to Ayala Corporation and its subsidiaries and affiliates.

“Ayala Land” or **“ALI”** or the **“Company”** or the **“Issuer”** refers to Ayala Land, Inc.

“Banking Day” or **“Business Day”** shall be used interchangeably to refer to a day on which commercial banks are open for business in Makati City, Metro Manila.

“BDO Capital” shall refer to BDO Capital & Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 20^{th}Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City.

“Beneficial Owner” shall mean any person (and “Beneficial Ownership” shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that, a person shall be deemed to have an indirect beneficial ownership interest in any security which is:

i. held by members of his immediate family sharing the same household;
ii. held by a partnership in which he is a general partner;
iii. held by a corporation of which he is a controlling shareholder; or
iv. subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities; provided, however, that, the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer:

    a. A broker dealer;
    b. An investment house registered under the Investment Houses Law;
    c. A bank authorized to operate as such by the BSP;
    d. An insurance company subject to the supervision of the Office of the Insurance Commission;

e. An investment company registered under the Investment Company Act;
f. A pension plan subject to regulation and supervision by the BIR and/or the Office of the Insurance Commission or relevant authority; and
g. A group in which all of the members are persons specified above.

"BIR" shall mean Bureau of Internal Revenue.

"Bond Agreements" shall mean (1) the Trust Agreement between the Issuer and the Trustee and (2) the Registry and Paying Agency Agreement between the Issuer, the Registrar and the Paying Agent.

"Bondholder" shall mean a person whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.

"Bonds" shall refer to the first tranche of bonds in the aggregate principal amount of ₱10,000,000,000.00 to be issued by Ayala Land on the Issue Date and shall mature on [January 30, 2024].

"BPI Capital" shall refer to BPI Capital Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 8th Floor, BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City.

"BSP" refers to Bangko Sentral ng Pilipinas.

"**China Bank**" shall refer to China Banking Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 9th Floor CBC Building, 8745 Paseo de Roxas corner Villar Streets, Makati City.

"Co-Lead Underwriters" shall refer to DB and FMIC.

"CRISP" shall refer to the Credit Rating and Investors Services Philippines, Inc.

"**DB**" shall refer to Deutsche Bank AG, Manila Branch, a foreign banking corporation with address at 26th Floor Tower One, Ayala Triangle, Ayala Avenue, Makati City.

"FMIC" shall refer to First Metro Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 45th Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Salcedo, Village, Makati City.

"IAS" shall mean International Accounting Standards.

"ING" shall refer to ING Bank N.V. - Manila Branch, a foreign banking corporation with address at 20th Floor Tower One, Ayala Triangle, Ayala Avenue, Makati City.

"Interest Payment Date" shall mean [January 30, 2014] for the first Interest Payment Date, and [July 30] and [January 30] of each year, or the next Business Day if such date is not a Business Day, during which the Bonds are outstanding.

"Interest Rate" shall mean a fixed interest rate of [•]% per annum calculated on a 30/360-day count basis.

"Issue Date" shall mean [July 30, 2013] or such other date as may be agreed upon between the Issuer and the Joint Lead Underwriters.

"Issue Manager" shall refer to BPI Capital.

"Joint Lead Underwriters" shall refer to BPI Capital, BDO Capital, China Bank, ING and SCB, being the Joint Lead Underwriters appointed by the Issuer under the Underwriting Agreement.

"Lien" shall mean any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligations.

"Majority Bondholders" shall mean the holders of more than fifty percent (50%) of the principal amount of the Bonds then outstanding.

"Master Certificate of Indebtedness" shall mean the certificate to be issued by the Issuer to the Trustee evidencing and covering such amount corresponding to the Bonds.

"Maturity Date" shall mean ten (10) years and six (6) months from Issue Date or [January 30, 2024].

"Offer" shall mean the offering of Bonds by the Issuer under the Conditions as herein contained.

"Offer Period" shall refer to the period, commencing within two (2) days from the date of the SEC Permit, during which the Bonds shall be offered to the public.

"PAS" shall mean Philippine Accounting Standards.

"Paying Agent" shall refer to PDTC, the party which shall receive the funds from the Issuer for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders.

"PDEx" shall refer to the Philippine Dealing and Exchange Corp.

"PDTC" shall refer to the Philippine Depository & Trust Corporation.

"Pesos," **"₱"** and **"Philippine currency"** shall mean the legal currency of the Republic of the Philippines.

"PFRS" shall mean Philippine Financial Reporting Standards.

"Philippines" shall mean the Republic of the Philippines.

"PSE" shall refer to the Philippine Stock Exchange.

"Record Date" shall refer to the cut-off date in determining Bondholders entitled to receive interest or principal amount due.

"Register of Bondholders" shall mean the electronic records of the Registrar bearing the official information on the names and addresses of the Bondholders and the number of Bonds they respectively hold, including all transfers of the Bonds and the names of subsequent transferee Bondholders, maintained pursuant to and under the Registry and Paying Agency

Agreement.

"Registrar" shall refer to PDTC, being the registrar for the Bonds appointed by the Issuer and Trustee under the Registry and Paying Agency Agreement.

"Registry Confirmation" shall refer to the written advice to be sent by the Registrar to Bondholders.

"SEC" means the Philippine Securities and Exchange Commission or its successor agency/ies.

"SEC Permit" shall mean the Permit to Sell issued by the SEC in connection with the Offer.

"SRC" shall mean the Securities Regulation Code of the Philippines (Republic Act No. 8799).

"SCB" shall refer to Standard Chartered Bank, a foreign banking corporation with address at 6788 Ayala Avenue, Makati City.

"Tax Code" shall mean the National Internal Revenue Code, as amended, and its implementing rules and regulations.

"Taxes" shall mean any present or future taxes including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, and taxes on the overall income of the Joint Lead Underwriters or of the Bondholders.

"Trustee" shall refer to [●] appointed by the Issuer under the Trust Agreement.

"Underwriters" shall refer to the Joint Lead Underwriters and the Co-Lead Underwriters.

Titles of sections, subsections and clauses in this Preliminary Prospectus are used for convenience of reference only and do not limit or affect the interpretation of the sections, subsections and clauses hereof. In case of conflict between the provisions of this Preliminary Prospectus and the Bond Agreements, the provisions of the Bond Agreements shall prevail.

EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this Preliminary Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective purchasers should read the entire Preliminary Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" and the financial statements and the related notes to those statements included in this Preliminary Prospectus.

The Company

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation's existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an initial public offering ("IPO") of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation's effective interest in Ayala Land to 88%. Since then, Ayala Corporation's effective interest has been further reduced to about 70.08% as at March 31, 2013 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, exchanges under bonds due 1996 and bonds due 2001, disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993, exchanges under bonds due 1996 and bonds due 2001, conversion to Ayala Land Common B Shares of the entire ₱3.0 billion convertible long term commercial paper publicly issued by the Company in December 1994, and equity top-up placements via an overnight bookbuilt offering of the Company in July 2012 and March 2013.

As at March 31, 2013, equity attributable to equity holders of Ayala Land amounted to ₱92.4 billion. It is listed on the PSE with a market capitalization of ₱449.7 billion as at March 31, 2013, based on Ayala Land's common share closing price of ₱32.70 as at that date.

As at April 30, 2013, foreign equity ownership of Ayala Land constituted 5,560,417,004 common shares and 609,384,277 voting preferred shares for an aggregate equivalent of 22.7% of total outstanding common shares and voting preferred shares.

Ayala Land is the largest real estate conglomerate in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses. Its principal businesses include planning and development of mixed-use properties, particularly, the subdivision and sale of high-end, middle-income and affordable residential lots and housing units, leisure community developments, commercial lots and the development and leasing of retail space and land in planned communities. Ayala Land also builds and sells residential condominium and office buildings, and develops industrial and business parks. Ayala Land, through its subsidiaries, also owns hotels eco-tourism resorts, and movie theaters, and provides property management and construction services to its own projects and to third parties for industrial buildings and government infrastructure projects.

The Company's residential products are distributed to a wide range of clients through various sales groups. Ayala Land established a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which exclusively markets and sells high-end properties and condominium projects developed by Ayala Land under the brand Ayala Land Premier. Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Alveo Land Corp. ("Alveo") (middle-income housing), Avida Land Corp. ("Avida") (affordable housing), Amaia Land Corp. ("Amaia") (economic housing), and BellaVita Land Corp. ("BellaVita") (socialized housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, leads the marketing, sales and channel development activities and marketing initiatives of the Company's residential brands abroad. ALISI also signed up marketing partners in various jurisdictions. Avida has a representative office in Abu Dhabi. AyalaLand International Marketing, Inc., a subsidiary of ALISI, has an office in San Francisco and Avida Sales Corp. has established AyalaLand International Marketing, Ltd, and AyalaLand International Marketing, SRL for its offices in London and Italy, respectively.

Ayala Land's total consolidated revenues for the period January to December 31, 2012 amounted to ₱54.5 billion, up by 23% compared to ₱44.2 billion for 2011. Net income attributable to equity holders of Ayala Land rose by 27% to ₱9.0 billion for the period January to December 31, 2012 from ₱7.1 billion in the same period in 2011. In the first three months of 2013, consolidated revenues totaled ₱18.5 billion, up 38% year-on-year, while net income attributable to equity holders of Ayala Land amounted to ₱2.7 billion, up 30%.

As at March 31, 2013, Ayala Land had ₱288.3 billion in total assets. Ayala Land's cash and cash equivalents and short-term investments stood at ₱40.2 billion with a current ratio of 1.35:1 as of such date. Bank debt-to-equity ratio was at 0.80:1, while net debt-to-equity ratio was at 0.36:1.

As at December 31, 2012, Ayala Land spent ₱71.3 billion for project and capital expenditures, 138% more than the ₱29.9 billion spent during the same period in 2011. Residential development accounted for 23% of total, with shopping centers and corporate business accounting for 10% and 2% of total capital expenditures, respectively. Of the total CAPEX spent in 2012, 57% was used for various landbanking activities.

During the first quarter of 2013, Ayala Land spent ₱10.3 billion for project and capital expenditures, 29% more than the ₱8.0 billion spent during the same period in 2012. About 40% was spent for residential projects, 22% for land acquisition, 21% for shopping centers, 5% for hotels and resorts, and the balance spent on offices and other land development activities.

The ₱10.3 billion spent on CAPEX for 1Q2013 represents 16% of the full year budget of ₱65.6 billion.

New Projects

As at December 31, 2012, Ayala Land launched 23,487 residential units, including around 10,000 units in the economic housing segment under its subsidiary, Amaia, and 1,400 units in the newly launched BellaVita to cater to the socialized housing segment.

The Company also plans to aggressively expand the gross leasable area ("GLA") of its shopping centers as it continues to roll out the geographic and product expansion of its shopping centers. Ayala Land has several malls in the pipeline, including smaller and value mall formats under wholly-owned subsidiaries Primavera Town Centre, Inc. and ARVO Commercial Corp.

Part of this expansion is the Centrio Mall in Cagayan de Oro, which opened last year with an additional 29,500 square meters (sqm) of GLA, as well as Harbor Point in Subic, with 27,400 sqm of GLA.

The Company also continued to expand its Business Process Outsourcing ("BPO") office building footprint with the opening of 60,000 sqm of BPO office GLA in various locations across the country – including the Glorietta 1 & 2 BPOs and the eleventh building in U.P.-Ayala Land TechnoHub.

Last year, Philippine Energy Solutions, Inc. ("PhilEnergy") completed the construction of district cooling systems ("DCS") at the ongoing redevelopment of Ayala Center and Alabang Town Center.

The Company adjusts its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

Ayala Land's Principal Strengths

Ayala Land's principal strength lies in its involvement in highly diversified business segments such as the development of high-end subdivision lots and residential buildings, middle-income residential projects and affordable housing development, as well as in traditional office, BPO office and shopping center leasing, development and sale of industrial lots, hotel operations, property development and construction. Ayala Land holds the dominant share of the market in most of these business segments.

The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a robust economy, rising foreign inflows, particularly from Overseas Filipinos ("OF"), increased affordability and the availability of attractive financing from banks, resilient consumption spending in retail, and encouraging long-term prospects for office space in the BPO sector.

With over eight decades of experience together with Ayala Corporation, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier Central Business District ("CBD") and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City ("BGC"), Cebu, and Canlubang.

The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivisions and high-rise, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

With control of 49 hectares of land in the Makati CBD and another 29 hectares in BGC as at March 31, 2013, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 1,839-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries, Makati Development Corporation ("MDC") and Ayala Property Management Corporation ("APMC"), which are the country's largest and most experienced construction and property management companies, respectively.

The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices.

In 2012, the Company was again awarded the "Platinum Award for All Around Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" by The Asset Magazine. Ayala Land was also adjudged "Best Overall Developer in the Philippines" by Euromoney for the ninth (9^{th}) consecutive year in 2012 in its annual Real Estate Awards. Last year, Ayala Land was also named as the Executive Leadership Team of the Year in the 2012 Asia CEO Awards. Asiamoney also awarded Ayala Land as the Best Large Cap Corporate of the Year and named Ayala Land President and CEO, Mr. Antonino Aquino, as the Best Executive in the Philippines last year.

Over the years, Ayala Land has been intensifying the integration of sustainability principles in every step of its business processes. Ayala Land's entire business process, from acquisition, assessment, planning, design, construction, delivery and property management focus on long-term benefits and shared value for stakeholders while foreseeing and managing risks and protecting all investments. Ayala Land has sustainability and risk management policies in place to protect projects from flooding and other geohazards. Technical due diligence is an integral part of site assessment, while flood and erosion control measures are built into masterplans, through site designs that include retention and detention basins, biodiversity (native vegetation) conservation where applicable. Projects are also designed to serve the needs of the commuting and walking public. Ayala Land also has set greenhouse gas ("GHG") emission intensity reduction targets and monitors energy, water and waste metrics in the properties it continues to manage.

For the three-year period ending December 31, 2012, Ayala Land has delivered an average Total Shareholder Return of 32.6% per annum.

Ayala Land's Business Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government, NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its headquarter-type ("HQ") offices or locate in its BPO facilities. Ayala Land is also the partner of choice for strategic partners, such as the Shangri-La and Holiday Inn groups, which want to make significant new investments in the country and help prime the Company's strategic growth centers.

Ayala Land plans to enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on four main pillars that will lay the ground work for the Company's long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control measures and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels, enhance its internal talent pool and support systems and ensure that these are supportive of the Company's growth objectives.

Ayala Land's Principal Shareholder

As at March 31, 2013, Ayala Land's principal shareholder, Ayala Corporation, effectively owns 70.08% of Ayala Land and is one of the Philippines' oldest conglomerates, with businesses in real estate, telecommunications, financial services, and a broad range of investments in water, electronics, energy, infrastructure, international operations, business process outsourcing, and automotive.

Ayala Land's Principal Executive Offices

Ayala Land's executive offices are at the 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226. The telephone number at this address is (632) 908-3895 and the fax number is (632) 750-7946.

Risk Factors

Prospective investors should consider carefully all of the information set forth in this Preliminary Prospectus and, in particular, prospective purchasers should evaluate the specific factors set forth under the section *"Risk Factors and Other Considerations"* of this Preliminary Prospectus for risks involved in the purchase of the Bonds. These factors may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the overall political, economic, and business environment in the Philippines, in general.

As a real estate developer, Ayala Land competes with other developers and developments to attract purchasers of land and condominiums, retail and office tenants, and clientele for the retail outlets, restaurants and hotels in its commercial centers in terms of reputation, reliability, price, and the quality and location of the community in which the relevant project is located. Ayala Land's successful financial and operating performance as a real estate company will impact on its ability to refinance or repay its debt, including the Bonds. Moreover, the offering of the Bonds should be evaluated in terms of its impact on the consolidated indebtedness of Ayala Land and the operating risks inherent in a further increase in its debt.

Ayala Land is further subject to certain debt covenants for the Bond issuance and its other existing debt. Ayala Land's failure to comply with these covenants could cause a default which, if not waived, could result in the debt becoming immediately due and payable. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of Ayala Land's debt, in which case Ayala Land may not be able to perform its payment obligations under the Bonds. In such case, the Bonds, being unsecured debt, will be effectively subordinated in right of payment to all secured debt of Ayala Land to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

External factors affecting Ayala Land's businesses include the impact of current and future Philippine laws and regulations on certain aspects of real estate development, such as environment, health and safety, the effect of natural catastrophes, and political or economic instability in the country, including foreign exchange rate fluctuations which could impact on the acquisition cost of certain dollar-denominated construction materials and equipment necessary for Ayala Land's business.

Summary of Financial and Operating Data

The following table sets forth financial and operating information and other data of Ayala Land. Prospective purchasers of the Bonds should read the summary financial data below together with the financial statements and the notes thereto, as well as the section *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* of this Preliminary Prospectus. The summary financial data for the three years ended December 31, 2012, 2011, and 2010 were derived from Ayala Land's audited financial statements, including the notes thereto, which are included in this Preliminary Prospectus. Ayala Land's financial statements are prepared in compliance with PFRS.

	For the period ended March 31 UNAUDITED		**For the period ended December 31 AUDITED**	
(in million Pesos, except EPS)	**2013**	**2012 (Restated per PFRS10)**	**2012**	**2011**
Income Statement Data				
Revenues	18,515	13,385	54,525	44,206
Costs and expenses				
Real estate	11,715	8,290	33,439	27,941
General & administrative	1,311	1,016	4,443	3,480
Interest and other charges	1,030	604	3,416	2,075

(in million Pesos, except EPS)	For the period ended March 31 UNAUDITED 2013	2012 (Restated per PFRS10)	For the period ended December 31 AUDITED 2012	2011
Subtotal	14,056	9,835	41,298	33,496
Income before income tax	4,459	3,551	13,226	10,710
Provision for income tax	1,272	908	2,892	2,619
Net Income	3,187	2,643	10,334	8,091
Net Income attributable to:				
Equity holders of Ayala Land	2,762	2,132	9,038	7,140
Non-controlling interests	425	511	1,296	951
	3,187	2,643	10,334	8,091
Unappropriated retained earnings, Beginning	44,062	37,926	37,926	32,757
Cash dividends	(2,034)	(1,428)	(2,902)	(1,971)
Net Income attributable to equity holders of Ayala Land	2,762	2,132	9,038	7,140
Unappropriated retained earnings,end	44,645	38,630	44,061	37,926
Earnings per share (diluted)[1] Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.	₱0.20	₱0.16	₱0.68	₱0.55
Net income attributable to equity holders of Ayala Land	₱0.20	₱0.16	₱0.68	₱0.55

[1]Based on weighted average number of common shares (in thousands): 13,327,986 as at December 31, 2012; 12,953,322 as at December 31, 2011; and 13,038,594 as at December 31, 2010

(in million Pesos)	As at March 31 UNAUDITED 2013	As at December 31 (Restated per PFRS10) 2012	As at December 31 AUDITED 2012	2011
Balance Sheet Data				
Cash and cash equivalents[1]	40,199	33,613	28,612	24,795
Land and improvements	48,567	49,492	47,710	18,737
Investment properties	49,429	47,535	36,496	30,490
Total assets	288,333	258,508	231,232	154,542
Long-term debt - current ortion	8,900	6,584	6,387	1,557
Long-term debt (net of current portion)	54,246	58,414	53,781	28,258
Total liabilities	182,114	162,217	139,6	82,499

(in million Pesos)	As at March 31 UNAUDITED 2013	As at December 31 (Restated per PFRS10) 2012	As at December 31 AUDITED 2012	2011
			87	
Equity:				
Attributable to equity holders of Ayala Land	92,412	82,315	82,31 5	62,357
Non-controlling interests	13,806	13,976	9,230	9,686
Total equity	106,218	96,292	91,54 5	72,043

[1] *Includes Cash and Cash Equivalents and Short-term Investments*

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	March 31, 2013	End 2012	End 2011	End 2010
Current ratio [1]	1.35:1	1.40:1	1.65:1	1.67:1
Debt-to-equity ratio [2]	0.80:1	0.84:1	0.55:1	0.37:1
Net debt(cash)-to-equity ratio [3]	0.36:1	0.49:1	0.15:1	0.02:1

	March 31, 2013	FY 2012	FY 2011	FY 2010
Return on assets [4]	4%	5.4%	5.9%	5.5%
Return on equity [5]	12%	12.6%	11.8%	10.1%
Asset to Equity [6]	3.12:1	2.81:1	2.48:1	2.14:1
Interest Rate Coverage [7]	5.5	6.82	7.08	6.89

[1] *Current assets / current liabilities*
[2] *Total debt / stockholders' equity attributable to parent (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt / stockholders' equity attributable to parent net of unrealized gain on AFS (Net debt is total debt less cash and cash equivalents, short-term investments and financial assets through FVPL))*
[4] *Net income attributable to parent / average total assets*
[5] *Net income attributable to parent / average total stockholders' equity*
[6] *Total assets / total stockholders' equity attributable to parent*
[7] *EBITDA / interest expense*

SUMMARY OF THE OFFER

Issuer	:	Ayala Land, Inc. (“ALI”)
Issue	:	Fixed rate bonds (the “Bonds”) constituting the direct, unconditional, unsecured and general obligations of the Issuer.
Issue Amount	:	₱10,000,000,000.00
Use of Proceeds	:	The net proceeds of the Issue are intended to be used by ALI for general corporate purposes.
Issue Price	:	100% of face value.
Form and Denomination of the Bonds	:	The Bonds shall be issued in scripless form in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter.
Offer Period	:	The Offer shall commence on [July 22, 2013] and end at 3:00 pm on [July 26, 2013].
Issue Date	:	[July 30, 2013] or such other date as may be agreed by the Issuer and the Underwriters.
Maturity Date	:	Ten (10) years and six (6) months from Issue Date or [January 30, 2024].
Interest Rate	:	Fixed interest rate of [●]% per annum.
Interest Payment Date	:	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on [July 30] and [January 30], or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on [January 30, 2014], until and including the Maturity Date (each, an “Interest Payment Date”).
Call Option and Call Option Dates	:	The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds before the Maturity Date and on each of the anniversary dates indicated below (the “Call Option Dates”), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Call Option Dates	Call Option Price
On the 7th year from Issue Date	102.00%
On the 8th year from Issue Date	101.00%
On the 9th year from Issue Date	100.50%

	The Issuer shall give no less than thirty (30) nor more than sixty (60) days prior written notice of its intention to exercise its Call Option on the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds at the Call Option Date stated in such notice. The amount payable to the Bondholders in respect of any such early redemption shall be calculated as the sum of (i) the relevant Call Option Price applied to the principal amount of the then outstanding Bonds being redeemed and (ii) all accrued interest on the Bonds as at the relevant Call Option Date.
Redemption for Taxation Reasons	If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.
Final Redemption	Except when a Call Option is exercised, the Bonds will be redeemed at par or 100% face value on the Maturity Date.
Negative Pledge	The Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens.
Purchase and Cancellation	The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.
Status of the Bonds	The Bonds shall constitute the direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank *pari passu* and ratably without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.
Listing	The Issuer intends to list the Bonds in the PDEx on Issue Date.

RISK FACTORS AND OTHER CONSIDERATIONS

GENERAL RISK WARNING

- *The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.*
- *Past performance is not a guide to future performance.*
- *An investor deals in a range of investments each of which may carry a different level of risk.*

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake its, his, her or their own research and study on the trading of securities before commencing any trading activity. Investors may request information on the securities and Issuer thereof from the SEC which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those classified as high risk securities.

RISK FACTORS

An investment in the Bonds described in this Preliminary Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Preliminary Prospectus, in deciding whether to invest in the Bonds. This Preliminary Prospectus contains forward-looking statements that involve risks and uncertainties. Ayala Land adopts what it considers conservative financial and operational controls and policies to manage its business risks. Ayala Land's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Preliminary Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the overall political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are arranged in the order of their importance to the Company.

1. Ayala Land faces a highly competitive business environment

Ayala Land is subject to significant competition in each of its principal businesses. Competitive pressure is expected to remain as large property developers focus on the value-conscious middle market. Sustained demand growth is not likely to occur without real improvement in employment and real incomes. However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

Ayala Land competes with other developers and developments to attract purchasers of land and residential units, office and retail tenants as well as other construction and property management firms, and hotel operators.

Land and Residential Sales

With respect to land and condominium sales, Ayala Land competes for purchasers primarily on the basis of reputation, reliability, price and the quality and location of the community in which the relevant site is located. With respect to its horizontal residential housing developments, Ayala Land competes for buyers based on quality of projects and reasonable pricing of units.

(a) High-end residential

Ayala Land continues to be the leader in the high-end residential market. It competes with a price premium over other high-end developers but justifies it with superior locations, workmanship quality, timely project completions, and overall reputation in the real estate industry. Through these, it has been able to keep well ahead of other high-end players.

Real estate has always been a major investment vehicle for the affluent. However, in a volatile environment, such as the recent financial crisis and the subsequent global economic downturn, the high-end market tends to "wait and see," or they simply choose to place their money in other investment instruments. With confidence returning as market risks abated in 2009, sales of high-end lots, like Westgrove Heights, Santierra, Elaro, and Luscara in NUVALI, and units such as Park Terraces and Garden Towers in Makati and The Suites in BGC continued to record significant performances, resulting in the 32% increase in take up for the Ayala Land Premier brand in 2012.

Ayala Land has mitigated the market risks it faces through carefully planned project launches, clear product differentiation, product innovation, and increased market expansion through overseas sales and new segments.

(b) Middle-income residential

In the middle-income market segment, the environment remains challenging due to the number and aggressive moves of competitors. Nonetheless, Ayala Land's middle-income residential business (through its subsidiary, Alveo) posted significant growth last year as economic outlook and prospects in the real estate sector remained robust. Sales from Alveo last year increased 69% from 2011 and demand is expected to remain strong this year for several reasons: (a) more upbeat economic outlook, (b) strong buying interest from the domestic market and overseas based Filipinos, and (c) emerging preference for condominium living. Ayala Land remains confident that it can compete effectively in this segment because of its superior product offering in terms of location, amenities, features, after-sales service, and very competitive pricing and payment terms.

(c) Affordable residential

Ayala Land offers affordable residential projects through its wholly-owned subsidiary, Avida Land Corporation. In this highly competitive segment, there is an increase in activities and marketing efforts of major developers to reach their desired target market. Last year, sales from Avida posted a significant 38% increase over the previous year.

(d) Economic Housing

Ayala Land entered the economic housing segment last year with the launch of AmaiaScapes in Laguna under the Company's subsidiary, Amaia, carrying the brand Amaia. This segment is expected to provide a steady end-user demand in the long-term as one-third of the estimated 18 million Filipino households and majority of the almost four (4) million national housing backlog belong to this segment. As a result, sales from Amaia grew 68% in 2012 from the previous year.

(e) Socialized Housing

Ayala Land formally launched its first socialized housing project last year under the BellaVita brand in Cavite from subsidiary BellaVita Land Corp. Like the economic housing segment, this group is likewise seen to as a stable source of end-user demand in the local residential market as more than 60% of Filipino households fall under this income class.

Positive factors spurring interest because of their long-term effects in the real estate industry are the:

- Increased developments north of Manila due to the North Luzon Expressway and the opening of the Subic-Clark-Tarlac toll expressway;
- Rehabilitation of the South Luzon Expressway to spur growth in the Cavite, Laguna, Batangas area south of Metro Manila;
- Increasing purchases by the overseas-based Filipino market due to marketing and promotions by various developers;
- Availability of financing from the Home Development Mutual Fund (Pag-IBIG); and
- Relatively low mortgage rates and longer maturities

Office Space and Retail Rental

With respect to its office rental properties, Ayala Land competes for tenants primarily based upon the quality and location of the relevant building, the reputation of the building owner and operator, the quality of support services provided by the property manager, and rental and other charges. Under the current environment, lease rates and occupancy levels are under pressure in the Makati CBD where Ayala Land office buildings are located. According to research data provided by Colliers International Philippines, vacancy rate for all office grades in the Makati CBD as of end March 2013 is estimated at 3.4%, with average lease rates expected to rise at least 6% in the next 12 months.

With respect to its retail properties for lease, Ayala Land competes for tenants primarily based upon the ability of the relevant retail center to attract customers, which generally depends on the quality and location of, and mix of tenants in, the relevant retail center and the reputation of the owner and/or operator of the retail center, as well as rental and other charges. The market for shopping centers has become especially competitive and the number of competing properties is expected to grow. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers.

Ayala Land, nonetheless, has maintained healthy occupancy levels and experienced increasing lease rates.

Industrial Property Business

The industrial property business is affected by oversupply as well as limited industrial expansion and declining foreign investments. Overall, the industrial property segment is not likely to show significant demand improvement in the medium term.

Laguna Technopark, a development of the Ayala Land's subsidiary, Laguna Technopark, Inc. (LTI), remains the preferred location for locators and has been successfully expanding its offerings at a time when industrial parks in the Calabarzon area have been experiencing the effects of an oversupply of manufacturing and processing facilities.

Hotels and Resorts Operations

Although the hotel industry has seen increasing visitor arrivals in the past several years, it is generally subject to the slowdown in business activity due to global financial and local political turmoil and security concerns. Nonetheless, according to the Department of Tourism, 4.6 million foreign tourists visited the Philippines in 2012, which was 18% higher than the figure recorded in the previous year.

Infrastructure, Construction and Property Development

Ayala Land's construction business is exposed to any potential sector-wide slowdown in construction activities.

Notwithstanding stiff competition in the industry, Ayala Land intends to maintain and enhance its position as the leading property developer in the Philippines by continuing its over-all business strategy of developing large-scale, mixed-use integrated communities within growth centers that perpetuate its strong market presence while ensuring a steady revenue growth for the Company. Ayala Land further intends to diversify its revenue base by expanding its real estate business into different markets, specifically the economic and socialized housing segments where bulk of consumer "end-user" demand lies, and geographic areas and growth centers across the country where there are significant growth opportunities or where its proposed developments complement its existing businesses.

2. Ayala Land's leverage creates a number of operating risks and might affect its ability to repay the Bonds

The increase in debt of Ayala Land could have certain adverse consequences. For example, it could:

- reduce Ayala Land's ability to service its existing debt obligations, including the Bonds;
- affect Ayala Land's ability to obtain additional financing for working capital, capital expenditures, debt service and other purposes;
- require Ayala Land to divert a substantial portion of its cash flow from operations to debt service;
- affect Ayala Land's flexibility in reacting to and taking advantage of developments and opportunities in the Philippine economy, the Philippine property development industry and its business; or
- place Ayala Land at a competitive disadvantage to its competitors that have less debt.

As at March 31, 2013, ₱73.81 billion of Ayala Land's consolidated short-term and long-term debt of ₱40.4 billion was evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Ayala Land. Ayala Land has secured the waiver by the creditors of such preference in their respective debt instruments.

Ayala Land's ability to refinance or repay its debt depends on its successful financial and operating performance, which will be affected by a number of factors, many of which are beyond its control. If Ayala Land is unable to refinance its debt, obtain necessary waivers or obtain new financing under these circumstances, Ayala Land would have to consider other various financing options such as sale of assets, procuring additional capital and other options available to Ayala Land under applicable law. Ayala Land might also have to modify, delay or abandon its development and expansion plans. See discussion under *"Management's Discussion and Analysis of Financial Condition and Results of Operation"* of this Preliminary Prospectus.

3. Ayala Land is subject to certain debt covenants

The Bond Agreements and agreements for certain debts of Ayala Land contain covenants that limit its ability to, among other things:

- incur additional long-term debt to the extent that such additional indebtedness results in a breach of a required debt-to-equity ratio;
- materially change its nature of business;
- merge, consolidate, or dispose of substantially all its assets; and
- encumber, mortgage or pledge some of its assets.

Complying with these covenants may cause Ayala Land to take actions that it otherwise would not take or not take actions that it otherwise would take. Ayala Land's failure to comply with these covenants would cause a default, which, if not waived, could result in the debt becoming immediately due and payable. In this event, Ayala Land may not be able to repay or refinance such debt on terms that are acceptable to Ayala Land or at all. See discussions under *"Management's Discussion and Analysis of Financial Condition and Results of Operations*" and *"Description of the Bonds"* of this Preliminary Prospectus.

Ayala Land has historically taken a prudent stance in managing its debt obligations by ensuring that any corporate act, whether or not performed in the ordinary course of business, does not violate any existing debt covenants. In the event that any significant corporate act or business transaction is seen to potentially affect its debt covenants that would lead to accelerating the payment of existing debt, Ayala Land shall endeavor to obtain the necessary waivers in accordance with relevant debt agreements.

4. The occurrence of certain events of default under Ayala Land's other debt could affect Ayala Land's ability to repay the Bonds

A significant portion of the debt of Ayala Land contains terms which allow a lender to accelerate Ayala Land's debt if any event or change in circumstances occurs which, in the sole opinion of such lender, would materially impair Ayala Land's ability to repay its debt. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of the Company's debt. In which case, it may not be able to perform its payment obligations under the Bonds.

Ayala Land has not defaulted in any of its debt obligations while its ₱4.0 billion Bonds and ₱15.0 billion Bonds issued on August 2008 and April 2012, respectively, have been rated or have maintained a rating of PRS Aaa with Philippine Rating Services Corporation. It shall continue its strategy of compliance with its debt obligations by adopting the necessary internal controls in financial management and adopting good corporate governance policies that will ensure that transactions do not violate debt covenants.

5. The Bonds may be subordinated to other debt

Under Philippine law, in the event a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt not evidenced by a public instrument. Debt becomes evidenced by a public instrument when it has been acknowledged by the creditor and the debtor before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a *jurat* (a statement by one party of the circumstances in which an affidavit was made) may also be sufficient to make a document a public instrument. Accordingly, it may be possible for debt to become evidenced by a public instrument through the unilateral action of a creditor without the knowledge of the borrower.

As of March 31, 2013, ₱73.81 billion of Ayala Land's consolidated short-term and long-term debt of ₱40.4 billion was evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Ayala Land. Ayala Land has secured the waiver by the creditors of such preference in their respective debt instruments. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then Ayala Land shall at the its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds

Notwithstanding the foregoing, investors are assured of Ayala Land's continuing track record of prudent financial management which has allowed it to be in a net debt-to-equity position of 1.35:1 as of March 31, 2013. Thus, in the unlikely event that Ayala

Land is dissolved, there will be sufficient assets for disposition that will meet all its debt obligations, whether secured or unsecured.

6. Ayala Land from time to time considers business combination alternatives

Although Ayala Land's loan covenants contain certain restrictions on business combinations, Ayala Land will be able to engage in certain types of combinations. Business combinations involve financial and operational risks and could result in significant changes to Ayala Land's operations, management and financial condition. These changes could adversely affect Ayala Land's ability to fulfill its obligations under the Bonds and reduce the value of the Bonds.

Ayala Land takes into consideration its existing debt obligations and concomitant debt covenants in making any major business investments or acquisitions. Any financial commitments under such business combinations are evaluated in terms of the inflow of revenues of such projects and their ability to service their own financial requirements once fully operational.

7. Successful development of Ayala Land's projects is dependent on various factors

There is no certainty that Ayala Land's current and future projects will be implemented as planned and within the projected timetable. Real estate developments are subject to risks such as delays in obtaining financing and/or finalizing project plans and/or obtaining approvals, increases in construction costs, natural calamities and/or market downturns hereinafter described. Ayala Land's future financial performance may be significantly affected by factors that limit its ability to finance and complete its current and future projects in a timely and cost-effective manner and to market them successfully.

Ayala Land continually looks for growth opportunities in different market segments and geographic areas in order that any negative impact on a particular market segment or geographic area by reason of political, economic or other factors will allow it to pursue its projects or other developments not affected thereby; thus, providing it with a steady revenue base.

8. Ayala Land's business is affected by regulation in the Philippines

Ayala Land operates a material part of its businesses in a regulated environment. Ayala Land is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions and the management and disposal of, and exposure to, hazardous materials.

Ayala Land cannot predict what environmental or health and safety legislation or regulations will be amended or enacted in the future; how existing or future laws or regulations will be enforced, administered or interpreted or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations or to respond to environmental claims.

Ayala Land, through its construction and property management arms, keeps itself abreast of the latest technologies that enable it to implement existing sanitation, environment and safety laws and regulations at cost-efficient means, a strategy which has earned Ayala Land awards from several local and international organizations.

9. Operational and Physical Risk Factors in Ayala Land's Business

Just like any other business, Ayala Land is not exempt from the various risks associated with property development and operational management. It is however cognizant of the fact that a thorough understanding of risks, its complexities and continuous improvement in design and business operations is key to better abatement of risks and ensuring leadership in the industry. To mitigate these risks, the Company and its subsidiaries engaged in property development have complied and continue to comply with required standards of construction and design, and in terms of management of properties, observe and continue to observe best industry practices and methodologies.

On May 31, 2013 an explosion occurred inside a residential unit in Section B, Two Serendra. Two Serendra is a district of Serendra, a condominium development of Serendra, Inc., a subsidiary of Ayala Land. It is located at the Bonifacio Global City in Taguig City. The incident claimed the lives of four persons, including the occupant of the unit in Section B. Initial reports indicate that the explosion may have resulted from an improper accumulation of gas inside the unit. The investigation by police authorities as to the cause of the explosion is still ongoing.

Ayala Land's subsidiary, Ayala Property Management Corporation, as the property manager of Serendra, continues to provide support and assistance to the Serendra Condominium Corporation, the affected parties and the investigating units of government.

10. Natural catastrophes may affect Ayala Land's businesses adversely

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, volcanic eruptions and earthquakes. The occurrence of such natural catastrophes may materially disrupt and adversely affect the business operations of Ayala Land.

Although there can be no assurance that it will be adequately compensated for all damages and economic losses resulting from natural catastrophes, Ayala Land maintains comprehensive insurance against natural catastrophes to cover its various developments.

11. Government and Economic Factors

The growth and profitability of Ayala Land will be influenced by the general political situation in, and the state of the economy of, the Philippines. Any political or economic instability in the future may have a negative effect on the financial results of Ayala Land and the level of dividends paid and distributions made by Ayala Land's subsidiaries.

Political Considerations

The Philippines has from time to time experienced political and military instability. In February 1986, a peaceful uprising ended the 21-year rule of President Ferdinand Marcos and installed Corazon Aquino as President of the Philippines. Between 1986 and 1989, there were a number of attempted *coups d'etat*, none of which were successful. Political conditions in the Philippines were generally stable during the 1990s following the election of Fidel V. Ramos as President in 1992.

In 2000, Ramos' successor, Joseph Estrada, was subject to allegations of corruption, resulting in impeachment proceedings, mass public protests, withdrawal of support of the military, and Estrada's removal from office. The Vice President, Gloria Macapagal-Arroyo, was sworn in as President on January 20, 2001. In May 2001, violent clashes between government forces and Estrada loyalists occurred when Estrada was imprisoned to face charges of plunder.

On July 23, 2003, a group of more than 200 armed soldiers took over and occupied the Oakwood Premier Ayala Center, a serviced apartment project owned by Makati Property Ventures, Inc., a former subsidiary of Ayala Hotels, Inc., and located at the Ayala Center in Makati City. The group accused the Arroyo administration of corruption and terrorist acts. After hours of negotiations, the group agreed to return to barracks. The soldiers have been demoted following their prosecution in the court martial proceedings.

The Philippines has also been subject to sporadic terrorist attacks in the past five years. The Philippine army has been in conflict with the Abu Sayyaf organization which has been identified as being primarily responsible for kidnapping and terrorist activities in the Philippines. A series of bombings in the southern part of the Philippines also occurred in 2004. On February 14, 2005, three bomb explosions in the Makati financial district in Manila, Davao City and General Santos City resulted in the deaths of eight persons and injuries to more than 100 people.

On May 10, 2004, national presidential elections were held and, on June 24, 2004, pursuant to the Constitution, a joint session of Congress declared Gloria Macapagal-Arroyo as President-elect. President Arroyo began her six-year term on June 30, 2004. Certain opposition candidates including defeated presidential candidate Fernando Poe, Jr. questioned the election results, alleging massive fraud and disenfranchisement of voters. On July 23, 2004, Mr. Poe petitioned the Philippine Supreme Court, acting as the Presidential Electoral Tribunal, to order a recount of votes cast in more than 118,000 precincts nationwide. The petition was eventually dismissed following the death of Mr. Poe on December 14, 2004.

On November 29, 2007, a Philippine Senator and former lieutenant, Antonio Trillanes IV, led a group of military officers in walking out of a trial for the occupation of the Oakwood Premier Ayala Center and seizing a hotel in Makati to demand President Arroyo's resignation. The group peacefully surrendered after a 6-hour standoff with government forces.

In 2010, the country held its first computerized elections under the supervision of the Commission on Elections, where the son of former President Corazon C. Aquino Senator Benigno S. Aquino III won the presidency by a wide margin over closest rival former President Joseph Estrada. Aquino's victory displayed the highest electoral mandate for the winning president (post the 1987 Constitution) at 42% or more than 15 million votes. The vice-presidential race was won by former Makati City Mayor Jejomar C. Binay, Sr. with a tight margin over second running candidate Senator Manuel "Mar" Roxas II.

While the current administration is pursuing rapid, broad-based and sustainable economic growth, there is no assurance that the future administrations will adopt economic policies conducive to sustaining economic growth. Any future economic, political or social instability in the Philippines could adversely affect Ayala Land's business, financial condition or results of operations.

Economic Considerations

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency, imposition of exchange controls, debt restructuring and electricity shortages and blackouts.

The regional Asian financial crisis in 1997 resulted in, among others, the depreciation of the Philippine peso, higher interest rates, slower growth and a reduction in the country's credit ratings. Since the Asian financial crisis, the country experienced a ballooning budget deficit, volatile exchange rates and a relatively weak banking sector.

The government instituted several reform measures in the fiscal and banking sectors, among others, that strengthened the country's economic fundamentals, resulting in improved investor confidence and increased economic activities. In March 2013, Fitch Ratings upgraded its rating on the Philippines to investment grade. Standard & Poor's soon followed suit in May, thereby providing the needed confirmation by another rating agency to lift the country out of junk bond status. Together with strong demand drivers, real gross domestic product (GDP) growth surged to 7.8% in 1Q2013 and faster than the 6.6% pace in 2012, as a result of strong personal consumption, robust construction activities, and recovery in government spending, amid uncertainties in the global financial markets, particularly in Europe. Should economic conditions of the Philippines deteriorate, such deterioration could affect Ayala Land's financial condition and results of operations.

To mitigate the abovementioned risks, Ayala Land shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing business, economic, and political environments taking into consideration the interests of its customers, stakeholders and creditors.

RISKS RELATING TO THE BONDS

Liquidity Risk

The Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Company cannot guarantee that the market for the Bonds will always be active or liquid. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets, and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

As with all fixed income securities, the Bond's market value moves (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders who may either make a gain or incur a loss when they decide to sell the Bonds.

Retention of Ratings Risk

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Bonds have no Preference under Article 2244(14) of the Civil Code

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds by Eligible Bondholders, i.e., Filipino citizens or resident foreign individuals. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Preliminary Prospectus.

The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident foreign individual" refers to an individual whose residence is within the Philippines and who is not a citizen thereof.

TAXATION OF INTEREST

The National Internal Revenue Code of 1997, as amended, provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident foreign individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20%. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of ₱1.00 for each ₱ 200, or fractional part thereof, of the issue price of such debt instruments.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

Ordinary asset – The gain is included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens or resident foreign individuals:

Not over ₱10,000*	5%
Over ₱10,000 but not over ₱30,000	₱500 + 10% of the excess over ₱10,000
Over ₱30,000 but not over ₱70,000	₱2,500 + 15% of the excess over ₱30,000
Over ₱70,000 but not over ₱140,000	₱8,500 + 20% of the excess over ₱70,000
Over ₱140,000 but not over ₱250,000	₱22,500 + 25% of the excess over ₱140,000
Over ₱250,000 but not over ₱500,000	₱50,000 + 30% of the excess over ₱250,000
Over ₱500,000	₱125,000 + 32% of the excess over ₱500,000

*Other than minimum wage earners, who are exempt from paying income tax

Capital asset – Gains shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bond for a period of more than 12 months prior to the sale, only 50% of gain will be recognized and included in the computation of taxable income. If the Bond was held by an individual for a period of 12 months or less, 100% of gain is included.

Estate and Donor's Tax

The transfer of the Bonds by a deceased person to his heirs shall be subject to estate tax, which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000.

A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000, and where the donee or beneficiary is other than a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor and lineal descendant or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

USE OF PROCEEDS

Following the offer and sale of the ₱10,000,000,000 Fixed Rate Bonds, Ayala Land expects that the net proceeds of the Offering shall amount to approximately ₱9.9 Billion after fees, commissions and expenses. Proceeds from the Offering are intended to be used for general corporate purposes

Net proceeds from the Offer are estimated as follows:

		Total
Estimated proceeds from the sale of the Bonds		₱10,000,000,000.00
Less: Estimated Upfront Expenses[1]		
Documentary Stamp Tax	50,000,000.00	
Underwriting Fee	37,500,000.00	
SEC Registration[2]		
SEC Registration Fee	5,812,500.00	
SEC Legal Research Fee	58,125.00	
Estimated Professional Expenses	7,336,000.00	
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	2,500,000.00	
Registry Account Opening Fee	112,500.00	
Trustee Fees	20,000.00	
Listing Fee	168,000.00	
		103,507,125.00
Estimated net proceeds to Ayala Land, Inc.		₱9,896,492,875.00

[1] *Expenses based on initial tranche of ₱10.0 Billion, except for SEC Registration*
[2] *Based on shelf registration of aggregate principal amount of ₱21.0 Billion*

Aside from the fees enumerated above, the Company will be paying the following estimated annual fees related to the Bonds:

1. PDTC registry maintenance annual fee of P250,000.00, in quarterly payments;
2. PDTC as paying agent annual fee of ₱200,000.00; and
3. CRISP annual monitoring fee of ₱280,000.00, subject to annual escallation;
4. [●] as trustee to the Bondholders annual retainer fee of ₱240,000.00;
5. PDEx annual listing maintenance fee of ₱168,000.00.

All other expenses incurred in connection with the offering of the Bonds, including documentary stamp tax, fees of the Trustee, Registrar and Paying Agent and the Joint Lead Underwriters and Co-Lead Underwriters' legal counsel will be for the account of the Issuer.

In the event of any deviation / adjustment in the planned use of proceeds, the Company shall inform the SEC and the stockholders of the same within 30 days prior to its implementation.

Net proceeds amounting to approximately ₱9.9 billion will be use to partially finance various projects including, but not limited to, (i) the pump-priming development activities for new townships like Vertis North in Quezon City, Arca South, formerly FTI, in Taguig, Alvierra in Pampanga, and Altaraza in Bulacan (₱4.0 billion), (ii) development of various residential projects such as Park Terraces, Garden Towers and subdivision projects in Nuvali (e.g. Santierra, Elaro and Luscara) (₱1.0 billion), (iii) the construction of various leasing assets including an additional BPO buildings in UP – Ayalaland Technohub, the construction of the UP Town Center, expansion of Ayala Center Cebu and Abreeza (₱0.9 billion), (iii) new Seda Hotel in Nuvali (₱0.3 billion) and (iv) the acquisition of several properties in strategic areas around the country (₱3.4 billion)..

DETERMINATION OF OFFERING PRICE

The Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

THE OFFER

On June 27, 2013, Ayala Land filed a Registration Statement with the Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of the Bonds up to an aggregate principal amount of ₱21,000,000,000, to be issued in one or more tranches. The first tranche of the Offer will be issued with an aggregate principal amount of ₱10,000,000,000. The SEC is expected to issue an order rendering the registration statement effective, and a corresponding permit to offer securities for sale covering the Offer.

SHELF REGISTRATION OF SECURITIES NOT COVERED BY THE OFFER

After the close of the Offer and within one (1) year following the issuance of the Bonds, Ayala Land may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of debt securities covered by such registration statement, in one or more subsequent tranches under paragraph 2 of Rule 8.1 of the Securities Regulation Code's Implementing Rules and Regulations. Such a shelf registration provides Ayala Land with the ability to conduct such an offering within a comparatively short period of time. Ayala Land believes that this provides it with the increased ability to take advantage of opportunities in a volatile debt capital market, as these occur. Any subsequent offering under such rule requires the submission by Ayala Land of the relevant updates and amendments to the registration statement and the issuance of the corresponding Permit to Sell by the SEC. As a listed company, Ayala Land regularly disseminates such updates and information in its disclosures to the SEC and PSE.

However, there can be no assurance in respect of: (i) whether Ayala Land would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by Ayala Land to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within Ayala Land's control, including but not limited to: prevailing interest rates, the financing requirements of Ayala Land's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

THE UNDERWRITERS OF THE OFFER

BPI Capital, BDO Capital, China Bank, ING, and SCB, and DB and FMIC, pursuant to an Underwriting Agreement with Ayala Land dated [July 19, 2013] (the "Underwriting Agreement"), have agreed to act as the Joint Lead Underwriters and Co-Lead Underwriters, respectively, for the Offer and as such, distribute and sell the Bonds at the Issue Price, and have also committed to underwrite up to ₱10,000,000,000 of the first tranche of the Offer on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

BPI Capital is the sole Issue Manager for this transaction.

The Joint Lead Underwriters and the Co-Lead Underwriters will receive a fee of up to thirty-seven and a half basis points (0.375%) on the underwritten principal amount of the Bonds issued. Such fee shall be inclusive of underwriting and participation commissions.

The amount of the commitments of the Underwriters for the first tranche of the Offer in the aggregate principal amount of ₱10,000,000,000 are as follows:

BPI Capital	₱1,800,000,000
BDO Capital	₱1,800,000,000
China Bank	₱1,800,000,000
ING	₱1,800,000,000
SCB	₱1,800,000,000
DB	₱500,000,000
FMIC	₱500,000,000
Total	**₱10,000,000,000**

There is no arrangement for the Underwriters to return to Ayala Land any unsold Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Ayala Land of the net proceeds of the Bonds.

The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Ayala Land or other members of the Ayala Group of which Ayala Land forms a part.

Except for BPI Capital, the Underwriters have no direct relations with Ayala Land in terms of ownership by either of their respective major stockholder/s. BPI Capital is a wholly-owned subsidiary of the Bank of the Philippine Islands (“BPI”). Ayala Land and BPI are affiliated companies, each having Ayala Corporation as a major shareholder.

SALE AND DISTRIBUTION

The distribution and sale of the Bonds shall be undertaken by the Underwriters who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters from purchasing the Bonds for their own respective accounts.

OFFER PERIOD

The Offer Period shall commence within two (2) days from the date of the SEC Permit and end at 3:00 p.m. on [July 26, 2013].

APPLICATION TO PURCHASE

Applicants may purchase the Bonds during the Offer Period by submitting to the Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Bonds in the manner provided therein. Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory(ies) thereof. Individual applicants must also submit, in addition to the foregoing, a photocopy of any one of the following identification cards (ID): passport, driver’s license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen’s ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by Ayala Land. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

ALLOTMENT OF THE BONDS

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, subject to Ayala Land's right of rejection.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the Underwriters from whom such application to purchase the Bonds was made.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk.

PURCHASE AND CANCELLATION

The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

SECONDARY MARKET

Ayala Land intends to list the Bonds in the PDEx. Ayala Land may purchase the Bonds at any time in the PDEx trading system without any obligation to make pro-rata purchases of Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Beneficial title to the Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. The Issuer will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered in the Register of Bondholders.

DESCRIPTION OF THE BONDS

The following is a description of certain terms and conditions of the Bonds. This description of the terms and conditions of the Bonds set forth herein does not purport to be complete and is qualified in its entirety by reference to the agreements relating to the Bonds, copies of which are available for inspection at the offices of the Trustee. The terms and conditions set out in this section will, subject to amendment, be set out in the Trust Agreement between the Issuer and the Trustee.

The issue of up to ₱21,000,000,000.00 aggregate principal amount of Bonds to be issued in one or more tranches (the "Bonds") was authorized by a resolution of the Board of Directors of Ayala Land dated June 18, 2013. The first tranche of the Bonds will be issued with an aggregate principal amount of ₱10,000,000,000. The Bonds shall be constituted by a Trust Agreement executed on [July 19, 2013] (the "Trust Agreement") between the Issuer and [●] (the "Trustee", which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement). The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement and the Registry and Paying Agency Agreement executed on [July 19, 2013] (the "Registry and Paying Agency Agreement") among the Issuer, the Registrar, and the Paying Agent. The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (₱50,000.00) in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market. The first tranche of the Bonds shall mature on [January 30, 2024], unless earlier redeemed by the Issuer pursuant to the terms of the call option thereof and subject to the provisions on redemption and payment below.

PDTC has no interest in or relation to Ayala Land which may conflict with its roles as Registrar and as Paying Agent for the Offer. [●] has no interest in or relation to the Ayala Land which may conflict with the performance of its functions as Trustee, nor does it have any relation to or interest in the Underwriters.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Registrar. The holders of the Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) Form and Denomination

The Bonds are in scripless form, and shall be issued, in denominations of Fifty Thousand Pesos (₱50,000.00) each, as a minimum, and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

(b) Title

The beneficial interest to the Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from a transferor to the transferee in the Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) Bond Rating

The Bonds have been rated [●] by CRISP. Obligations rated [●] are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is strong. The ratings reflect the following factors: (i) Ayala Land's well diversified portfolio, complemented by solid brand equity and a highly experienced management team; (ii) sound profitability, coupled with strong cash flow generation and cash reserves; and (iii) conservative capitalization, with ample room for additional debt. The ratings also consider the continued favorable outlook in terms of the performance of the real estate sector, backed by sound economic fundamentals. AAA is the highest rating assigned by CRISP.

CRISP's ratings are based on available information and projections at the time that the rating review was performed. CRISP shall continuously monitor developments relating to Ayala Land and may change the ratings at any time, should circumstances warrant a change. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

2. Transfer of Bonds

(a) Register of Bondholders

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas,* the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Bonds may be made during the period commencing on a Record Date as defined in the section on "*Interest Payment Date*."

(b) Transfers; Tax Status

Bondholders may transfer their Bonds at any time to persons of similar tax status (*i.e.*, tax-exempt to tax-exempt, taxable to taxable); otherwise, such Bondholder may sell only on an Interest Payment Date. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under *"Payment of Additional Amounts; Taxation*,*"* within three (3) days from the settlement date for such transfer. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEx shall be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

(c) Secondary Trading of the Bonds

The Issuer intends to list the Bonds in PDEx for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof for as long as any of the Bonds are listed on PDEx. Secondary market trading in PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEx and PDTC.

3. Ranking

The Bonds constitute direct, unconditional, and unsecured Peso-denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations preferred by the law.

4. Interest

(a) Interest Payment Dates

The Bonds bear interest on its principal amount from and including Issue Date at the fixed rate of [●]% per annum, payable semi-annually in arrears on [January 30] and [July 30] in each year (each of which, for purposes of this section is an "Interest Payment Date") commencing on [January 30, 2014] or the subsequent Business Day, without adjustment, if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the Maturity Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

(b) Interest Accrual

Each Bond shall cease to bear interest, net of applicable withholding taxes, from and including the Maturity Date, as defined in the discussion on *"Final Redemption",* unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest"*) shall apply.

(c) Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

5. Call Option

(a) Call Option

The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds before the Maturity Date and on each of the anniversary dates indicated below (the “Call Option Dates”), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Call Option Dates	**Call Option Price**
On the 7th year from Issue Date	102.00%
On the 8th year from Issue Date	101.00%
On the 9th year from Issue Date	100.50%

The amount payable to the Bondholders in respect of any such redemption shall be calculated as the sum of (i) the relevant Call Option Price applied to the principal amount of the then outstanding Bonds being redeemed and (ii) all accrued interest on the Bonds as of the relevant Call Option Date.

(b) Exercise of a Call Option

Should the Issuer elect to exercise a Call Option, it shall do so by delivery of an original and three (3) copies of a notice of such exercise to the Trustee, submitted during business hours on a date no earlier than sixty (60) days and no later than thirty (30) days prior to the relevant Call Option Date. Once executed, completed and delivered to the Trustee, a Call Option notice is irrevocable.

Upon receipt of a Call Option notice fully complying with these Terms and Conditions, the Trustee shall transmit the same notice to the Bondholders.

Notwithstanding anything to the contrary, in the event the Issuer has notified the Trustee that it will exercise the Call Option, any interest payment due on the Interest Payment Date immediately preceding the relevant Call Option Date shall be paid on such Call Option Date.

6. Redemption and Purchase

(a) Final Redemption

Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on [January 30, 2024] (the “Maturity Date”). However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the Maturity Date is not a Business Day.

(b) Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par plus accrued interest, net of applicable withholding taxes.

(c) Purchase and Cancellation

The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

(d) Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("Change of Law or Circumstance") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

(i) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.

(ii) Any provision of the Trust Agreement or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents.

(iii) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

(iv) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

If any one or more of the events enumerated as a Change of Law or Circumstance shall occur and be continuing for a period of thirty (30) days, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said thirty (30)-day period, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without any pre-payment penalty, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding, subject to the notice requirements under the discussion on *"Notice of Default*."

7. Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the cash settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Paying Agency and Registry Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

8. Payment of Additional Amounts; Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between twenty percent (20%) and thirty percent (30%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

(a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as maybe in effect from time to time (the "Tax Code"). An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

(d) Value-added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

9. Financial Ratios

The Issuer shall maintain, for as long as any of the Bonds remain outstanding, a Debt to Equity Ratio of not more than 3:1.

As used herein: "Debt to Equity Ratio" means the ratio which Total Liabilities bears to Total Stockholders' Equity; "total liabilities" means the aggregate (as of a relevant date of calculation) of the Current Liabilities and Long-Term Debt; and "Total Stockholders' Equity" means the aggregate (as of a relevant date of calculation) of the par value of the outstanding common stocks, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the Issuer's property, plant and equipment effected in accordance with generally accepted accounting principles in the Philippines, and any reserve for expansion projects, less any intangible assets such as but not limited to goodwill, trademarks, patents, copyrights, leaseholds, treasury stocks, organizational expenses, underwriting expenses and deferred expenses.

10. Negative Pledge

For as long as any of the Bonds remain outstanding, the Issuer covenants that it shall not, without the prior written consent of the Bondholders who hold, represent or account for more than fifty percent (50%) of the principal amount of the Bonds then outstanding (the "Majority Bondholders"), permit any indebtedness for borrowed money to be secured by or to benefit from any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligation (a "Lien") in favor of any creditor or class of creditors without providing the Bondholders with a Lien, the benefit of which is extended equally and ratably among them to secure the Bonds; provided however that*,* this restriction shall not prohibit "Permitted Liens," which are:

(a) Any Lien over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (i) the payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset.

(b) Any Lien constituted for any obligation or credit facility incurred for the purpose of pursuing any infrastructure project or investment therein, whether such infrastructure project is undertaken by the Issuer itself, by its Affiliates, and/or by the Issuer or its Affiliates with third parties, and whether the same is carried on separately from or integrated with any of the real estate development of the Issuer, or any Lien constituted by the Issuer on its right to receive income or revenues (whether in the form of dividends or otherwise) from infrastructure projects or related investments therein.

(c) Any Lien created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty; or the validity of which is contested in good faith in appropriate proceedings upon stay of execution of the enforcement thereof and adequate reserves having been provided for the payment thereof.

(d) Any Lien to secure, in the normal course of the business of the Issuer or its Affiliates: (i) statutory or regulatory obligations; (ii) surety or appeal bonds; (iii) bonds for release of attachment, stay of execution or injunction; or (iv) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases.

(e) Any Lien: (i) imposed by law, such as carrier's, warehousemen's, mechanics' liens and other similar liens arising in the ordinary course of business and not material in amount; (ii) arising out of pledge or deposits under the workmen's compensation laws, unemployment insurance, old age pensions or other social security or retirement benefits or similar legislation; and (iii) arising out of set-off provisions in the normal course of its financing arrangements; provided that, the Bondholders hereunder shall also have to the extent permitted by applicable law, and upon notice to the Issuer, a similar right of set-off.

(f) Any Lien in favor of banks, insurance companies, other financial institutions and Philippine government agencies, departments, authorities, corporations or other juridical entities, which secure a preferential financing obtained by the Issuer under a governmental program, and which cover assets of the Issuer which have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding ₱5,000,000,000.00.

(g) Any Lien existing on the date of the Trust Agreement which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Agreement.

(h) Any Lien established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets or the requirements of the BSP on loans and financial accommodations extended to directors, officers, stockholders and related interests ("DOSRI").

(i) Any Lien constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement that has been assigned to such Affiliate by the Issuer.

(j) The assignment, transfer or conveyance of the Issuer's right to receive any of its income or revenues from receivables arising out of the sale of property held for sale by the Issuer in the ordinary course of business (the "Project Receivables").

(k) The assignment, transfer or conveyance of the right of the Issuer to receive any income or revenues other than from Project Receivables; provided that, the constitution by the Issuer of such Lien shall not cause the Issuer to exceed the ratio of the amount of indebtedness of the Issuer secured by any lien constituted pursuant to this subparagraph (k) to the non-current assets of the Issuer (as computed in accordance with Philippine Financial Reporting Standards and based on the most recent audited financial statements of the Issuer) which ratio shall not be more than 0.5:1.

(l) Any Lien to be constituted on the assets of the Issuer after the date of the Trust Agreement which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Agreement or any Lien for an aggregate loan accommodation not exceeding the equivalent of 10% of the market value of the consolidated assets of the Issuer as reflected in the latest appraisal report submitted by an independent and reputable appraiser.

(m) Any Lien constituted over the investment of the Issuer in any of its Affiliates, whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said Affiliates.

(n) Any Lien constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement (other than for borrowed money).

(o) Any title transfer or retention of title arrangement entered into by the Issuer in the normal course of its trading activities on the counterparty's standard or usual terms.

(p) Any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purpose of securing loan facilities denominated in Philippine Pesos granted by the Issuer in an aggregate principal amount not exceeding the amount of the deposit of the face amount (or value) of that financial instrument.

(q) Any Lien created over cash deposits or marketable investment securities in favor of a bank or financial institution to secure any borrowed money in connection with a treasury transaction; provided that, the aggregate amount of security does not at any time exceed US$30,000,000.00 or its equivalent. For this purpose, a "treasury transaction" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management;

(r) The assignment, transfer or conveyance by way of Lien (in any case without recourse) of the Issuer's right to receive any income or revenues from any asset of the Issuer not used in the ordinary course of business; provided that, the constitution by the Issuer of such Lien shall not cause the Issuer to breach the Debt to Equity Ratio.

12. Events of Default

The Issuer shall be considered in default under the Bonds and the Trust Agreement in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) Payment Default

The Issuer fails to pay when due and payable any amount which the Issuer is obliged to pay to the Bondholders under the Trust Agreement and the Bonds, and such failure, if due to causes other than the willful misconduct or gross negligence of the Issuer, is not remedied within five (5) Business Days from receipt by the Issuer of written notice of such non-payment from the Trustee; provided, however, that, the amount due for payment during the said five (5) Business Day remedy period shall be subject to the interest specified in the section *"Interest."*

(b) Representation/Warranty Default

Any representation and warranty of the Issuer hereof or any certificate or opinion submitted pursuant hereto proves to have been untrue, incorrect or misleading in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than fourteen (14) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Bondholders to that effect.

(c) Other Default

The Issuer fails to perform or violates any other provision, term of the Trust Agreement and the Bonds, and such failure or violation is not remediable or, if remediable, continues to be unremedied after the applicable grace period, or in the absence of such grace period, after thirty (30) days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed financial ratio, (particularly a maximum debt to equity ratio of 3:1.0 and within ten (10) Business Days from the date of the occurrence of said violation, with respect to any other covenant or obligation; provided that, the Events of Default constituting insolvency initiated by the Issuer or closure default, or a violation of a negative covenant shall not be remediable.

(d) Cross Default

The Issuer violates any material term or condition of any contract executed by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within ten (10) Business Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the Bonds; provided however that, no event of default shall occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds ₱500,000,000.00.

(e) Insolvency Default

The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which term shall include, but shall not be limited to: (i) filing of a petition in any bankruptcy, reorganization (other than a labor or management reorganization), winding-up, suspension of payment or liquidation proceeding, or any other proceeding analogous in purpose and effect; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors; (iv) the admission in writing by the Issuer of its inability to pay its debts; or (v) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization (other than a labor or management reorganization), winding-up, liquidation or appointment of trustee or receiver of the Issuer or a substantial portion of its property or assets.

(f) Judgment Default

Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of ₱500,000,000.00 or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

(g) Writ and Similar Process Default

Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of the Issuer's assets and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within thirty (30) calendar days after its issue or levy.

(h) Closure Default

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or *force majeure.*

13. Notice of Default

The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as described in *"Payment Default*,*"* the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

14. Consequences of Default

(a) If any one or more of the Events of Default shall have occurred and be continuing, either the Trustee, upon the written instructions of the Majority Bondholders and by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding.

(b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such declaration made by the Trustee pursuant to a consequence of default, and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; provided that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

(c) At any time after any Event of Default shall have occurred, the Trustee may:

(i) by notice in writing to the Issuer, require the Registrar and Paying Agent to:

(aa) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Paying Agency and Registry Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

(bb) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided that, such notice shall be deemed not to apply to any document or record which the Registrar and Paying Agent is not obliged to release by any law or regulation; and

(ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, provision (bb) above and the Issuer's positive covenant to pay principal and interest, net of applicable withholding taxes, on the Bonds, more particularly set forth in the Trust Agreement, shall cease to have effect.

In case any amount payable by the Issuer under the Bonds, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay Penalty Interest on the defaulted amount(s) from the time the amount falls due until it is fully paid.

15. Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, net of applicable withholding taxes, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay penalty interest on the defaulted amount(s) at the rate of twelve percent (12%) per annum (the "Penalty Interest") from the time the amount falls due until it is fully paid.

16. Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal, net of applicable withholding taxes, and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the

Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

17. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first,* to the payment to the to the Trustee, the Registrar and Paying Agent, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second,* to the payment of the interest, net of applicable withholding taxes, in default, in the order of the maturity of such interest with Penalty Interest, which payment shall be made pro-rata among the Bondholders; *third,* to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, net of applicable withholding taxes, with Penalty Interest, which payment shall be made pro-rata among the Bondholders; and *fourth,* the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. For this purpose, the Paying Agent shall deliver to the Trustee a joint certification of the funds to be applied for payment, and a schedule of payments to be made in accordance with the conditions.

18. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

19. Remedies

All remedies conferred by the Trust Agreement and these Terms and Conditions to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion below on *"Ability to File Suit."*

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

20. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest, net of applicable withholding taxes, and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee, for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

21. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Bondholders waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

22. Trustee; Notices

(a) Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Agreement and this Preliminary Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	[●]
Attention:	[●]
Subject:	[●]
Address:	[●]

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Any requests for documentation or certification and other similar matters must be communicated by the Bondholder to the Trustee in writing and shall be subject to review, acceptance and approval by the Trustee. Upon such acceptance and approval, the

Bondholder shall pay to the Trustee upfront a fee of ₱1,500 (the "Activity Fee") plus the costs of legal review, courier and the like. The Activity Fee may be adjusted from time to time, at the discretion of the Trustee.

In the absence of any applicable period stated elsewhere in these Conditions, written requests shall be reviewed and, if accepted and approved, addressed by the Trustee within ninety (90) days from receipt. This period may be extended should the Trustee be unable to review and address the requests for causes not attributable to the Trustee.

(b) Notice to the Bondholders

The Trustee shall send all Notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by Ayala Land to the Securities and Exchange Commission on a matter relating to the Bonds shall be deemed a notice to Bondholders of said matter on the date of the first publication.

(c) Binding and Conclusive Nature

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement.

23. Duties and Responsibilities of the Trustee

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the

Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

(c) None of the provisions contained in this Terms and Conditions Preliminary Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

24. Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Issuer and to the Bondholders of such resignation.

(b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide holder for at least six (6) months (the "Bona Fide Bondholder") may, for and in behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.

(c) A successor Trustee must possess all the qualifications required under pertinent laws.

(d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any Bona Fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor Trustee, by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders.

(f) Any resignation or removal of the Trustee and the appointment of a successor Trustee pursuant to any provisions of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Agreement; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Agreement (the "Resignation Effective Date"); provided however that, until such successor Trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor Trustee promptly upon the appointer thereof by the Issuer; provided finally that, such successor Trustee possesses all the qualifications as required by pertinent laws.

25. Successor Trustee

(a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

26. Reports to the Bondholders

(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent(10%) of the aggregate outstanding principal amount of the Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(i) Trust Agreement
(ii) Registry and Paying Agency Agreement
(iii) Articles of Incorporation and By-Laws of the Company
(iv) Registration Statement of the Company with respect to the Bonds
(v) Opinions of the legal counsel with respect to the Issuer and the Bonds

27. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

(i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

(f) Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous.

(g) Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

28. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

29. Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

30. Amendments

The Issuer and the Trustee may amend or waive any provisions of the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the Terms and Conditions of the Bonds with notice to every Bondholder following the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds) or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

(a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on the Bonds;

(c) reduce the principal of or extend the Maturity Date or vary the Call Option Dates of the Bonds;

(d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;

(e) reduce the amount payable upon the redemption or repurchase of the Bonds under the Terms and Conditions or change the time at which the Bonds may be redeemed;

(f) make the Bonds payable in money other than that stated in the Bonds;

(g) subordinate the Bonds to any other obligation of Ayala Land;

(h) release any security interest that may have been granted in favor of the Bondholders;

(i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or

(j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the paragraph entitled "Notice to the Bondholders."

31. Governing Law

The Bond Agreements are governed by and are construed in accordance with Philippine law.

32. Venue

Any suit, action, or proceeding against the Issuer with respect to the Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

33. Waiver of Preference

The obligation created under the Bond Agreements and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

34. Certain Defined Terms

The following sets forth the respective definitions of certain terms used in this Terms and Conditions of the Bonds. Except as otherwise provided and where context indicates otherwise, defined terms in this Terms and Conditions of the Bonds have the meanings ascribed to them in the Trust Agreement.

(a) **Affiliate** means any corporation, directly or indirectly controlled by the Issuer, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of contract or authority granted by said corporation to the Issuer.

(b) **Bankruptcy** means, with respect to a Person, (a) that such Person has (i) made an assignment for the benefit of creditors; (ii) filed a voluntary petition in bankruptcy; (iii) been adjudged bankrupt, or insolvent; or had entered against such Person an order of relief in any bankruptcy or insolvency proceeding; (iv) filed a petition or an answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation or filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of such nature; or (v) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person’s properties; (b) sixty (60) days have elapsed after the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation and such proceeding has not been dismissed; or (c) sixty (60) days have elapsed since the appointment without such Person’s consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person’s properties and such appointment has not been vacated or stayed or the appointment is not vacated within sixty (60) days after the expiration of such stay.

(c) **Current Liabilities** means the aggregate (as of the relevant date of circulation) of all liabilities of the Issuer falling due on demand or within one (1) year, including that portion of Long Term Debt which falls due within one (1) year (but excluding the current portion of any provision for estimated liability for land and property development) and such other liabilities as would be determined as such under the Philippine Financial Reporting Standards.

(d) **Lien** means any mortgage, pledge, lien or encumbrance constituted on any of the Issuer’s properties, for the purpose of securing its or its Affiliates’ obligation.

(e) **Long Term Debt** means the aggregate (as of the relevant date of calculation) of all those component parts of the liabilities of the Issuer which fall due or whose final payment is due on a date more than one (1) year after the relevant date for calculation, exclusive of reserve for land development and deferred credits, i.e., unearned income and/or unrealized gains.

(f) **Majority Bondholders** means the holders of more than fifty percent (50%) in principal amount, of the Bonds then outstanding.

(g) **Total Liabilities** means the aggregate (as of the relevant date for calculation) of Current Liabilities and Long Term Debt.

(h) **Total Stockholders' Equity** means the aggregate (as of the relevant date for calculation) of the par value of the outstanding common stock, preferred stock, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the property, plant and equipment of the Issuer effected in compliance with the Philippine Financial Reporting Standards, and any reserve for expansion projects, less any intangible assets such as, but not limited to, goodwill, trademarks, patents, copyrights, leaseholds, treasury stocks, organizational expenses, underwriting expenses and deferred expenses.

INTERESTS OF NAMED EXPERTS

LEGAL MATTERS

All legal opinion / matters in connection with the offering of the Bonds which are subject of this Offer will be passed upon by Romulo Mabanta Buenaventura Sayoc & De los Angeles for the Underwriters and by Co Ferrer & Ang-Co Law Offices for the Company.

INDEPENDENT AUDITORS

SyCip Gorres Velayo & Co., independent auditors and a member firm of Ernst & Young Global, audited Ayala Land, Inc. and Subsidiaries' consolidated financial statements as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Preliminary Prospectus.

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

DESCRIPTION OF BUSINESS

Overview

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation's existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an IPO of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation's effective interest in Ayala Land to 88%. Since then, Ayala Corporation's effective interest has been further reduced to about 70.08% as at March 31, 2013 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993, exchanges under Bonds due 1996 and Bonds due 2001, conversions to Ayala Land common B shares of the entire ₱3.0 billion convertible Long Term Commercial Paper publicly issued in December 1994, and the equity top-up placements via an overnight bookbuilt offering of the Company in July 2012 and March 2013.

As at March 31, 2013, equity attributable to equity holders of Ayala Land amounted to ₱92.4 billion. It is listed on the PSE with a market capitalization of ₱449.7 billion as at March 31, 2013, based on Ayala Land's common share closing price of ₱32.70 as at that date.

As at April 30, 2013, foreign equity ownership of Ayala Land constituted 5,560,417,004 common shares and 609,384,277 voting preferred shares for an aggregate equivalent of 22.7% of total outstanding common shares and voting preferred shares.

Ayala Land's Businesses

Ayala Land is the largest real estate conglomerate in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses.

The Residential Business Group ("RBG") of Ayala Land develops and sells high-end residential and leisure community developments through Ayala Land Premier ("ALP"); taps the middle-income urban residential segment through its wholly-owned subsidiary Alveo; develops and sells affordable house-and-lot packages and residential condominiums through Avida, also a wholly-owned subsidiary; and caters to the economic and socialized housing segments through its subsidiaries Amaia Land Corp. (formerly First Communities Realty, Inc.) and BellaVita Land Corp. (formerly South Maya Ventures, Inc.), respectively.

Ayala Land's Strategic Landbank Management Group ("SLMG") is involved in the acquisition, development and sale of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, hotels and resorts, and all the services that make up a vibrant and sustainable community.

The Commercial Business Group develops shopping centers and leases to third parties retail space and land therein. Through its subsidiaries, Ayala Theaters Management, Inc. and Five Star Cinema, Inc., it also operates movie theatres in these shopping centers. The Company has also ventured into the operation of food courts and entertainment facilities to complement its shopping center operations. A wholly-owned subsidiary Primavera Town Centre, Inc. was also formed to develop, operate and manage smaller retail formats with a size of less than 10,000 sqm of GLA called neighborhood centers.

Furthermore, it is involved in the development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings; and fee-based management and operations of office buildings.

The Company's Hotels and Resorts Group is involved in the development, operation and management of branded and boutique/businessman's hotels and eco-resorts, and leasing of land to hotel tenants.

Ayala Land's geographic businesses are engaged in the development, sale and lease of the Company's and its subsidiaries' product offerings in key cities in the Visayas and Mindanao regions. In the international market, it has investments in an Asian real estate private equity fund and its fund management company.

Its support businesses, on the other hand, include construction and property management of Ayala Land and third-party projects, and waterworks operations and sewage treatment facilities in some of the Company's projects.

Vision

Ayala Land's vision and mission is to enhance its standing and reputation as the Philippines' leading real estate developer, and to be a strong partner in nation building. By developing integrated, masterplanned and sustainable mixed-use communities in vibrant growth centers all over the country, it strives to continually elevate the quality of life for all of its customers.

Ayala Land shall be a responsible corporate citizen, and act with integrity, foresight and prudence. It shall empower its employees to deliver products that exceed its customers' expectations and build long-term value for its shareholders.

Competitive Strengths

Attractive Industry Fundamentals. The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a stable economy, steady foreign inflows, particularly from OFs, increased affordability and the availability of attractive financing from banks, strong consumption spending in retail, and encouraging prospects for office space in the BPO sector.

Experience and Track Record. With over eight (8) decades of experience together with Ayala Corporation, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier CBD and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City ("BGC"), Cebu, and NUVALI in Canlubang.

Trusted Brand and Unparalleled Product Line-up. The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivision and high-rise, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

Large, Strategic Landbank. With control of 49 hectares of land in the Makati CBD and another 29 hectares in BGC, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 1,839-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

Financial and Operating Resources. The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries Makati Development Corporation ("MDC") and Ayala Property Management Corporation ("APMC"), which are the country's largest and most experienced construction and property management companies, respectively.

Strong Management Team and Governance. The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices.

In 2012, the Company was again awarded the "Platinum Award for All Around Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" by The Asset Magazine. Ayala Land was also adjudged "Best Overall Developer in the Philippines" by Euromoney for the ninth consecutive year in 2012 in its annual Real Estate Awards. Last year, Ayala Land was also named as the Executive Leadership Team of the Year in the 2012 Asia CEO Awards. Asiamoney also awarded Ayala Land as the Best Large Cap Corporate of the Year and named Ayala Land President and CEO, Mr. Antonino Aquino, as the Best Executive in the Philippines last year.

Sustainability Framework Embedded in Business Processes. Over the years, Ayala Land has been intensifying the integration of sustainability principles in every step of its business processes. Ayala Land's entire business process, from acquisition, assessment, planning, design, construction, delivery and property management focus on long-term benefits and shared value for stakeholders while foreseeing and managing risks and protecting all investments. Ayala Land has sustainability and risk management policies in place to protect projects from flooding and other geohazards. Technical due diligence is an integral part of site assessment, while flood and erosion control measures are built into masterplans, through site designs that include retention and detention basins, biodiversity (native vegetation) conservation where applicable. Projects are also designed to serve the needs of the commuting and walking public. Ayala Land also has set green house gas ("GHG") emission intensity reduction targets and monitors energy, water and waste metrics in the properties it continues to manage.

Attractive Stock. For the three-year period ending December 31, 2012, Ayala Land has delivered an average Total Shareholder Return of 32.6% per annum.

Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government and NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its HQ-type offices or locate in its BPO facilities. Ayala Land is also the partner of choice for strategic new partners, such as the Shangri-La and Holiday Inn groups, which want to make significant new investments in the country and help prime the Company's strategic growth centers.

Ayala Land plans to maintain and enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on four main pillars that will lay the ground work for the Company's long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control initiatives and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels and enhance its internal talent pool and support systems ensure that these are supportive of the Company's growth objectives.

Products / Business and Recent Updates

Ayala Land is the largest and most diversified real estate company in the Philippines. It has organized its operations into several core businesses and support businesses. Its core business units consist of Residential Development, Strategic Landbank Management, Shopping Centers, Corporate Business, and Hotels and Resorts.

PROPERTY DEVELOPMENT

Residential Development

RBG is involved in the sale of high-end residential lots and units (including leisure community developments), middle-income residential lots and units, affordable lots and units, and economic housing lots and units. It caters to domestic and overseas Filipino markets across the high-end, middle-income and affordable segments.

In recent years, overall growth of the residential market has been strong largely as a result of a huge housing backlog of 3.8 million units and affordable mortgage loans. On the international front, the continued growth of OFW remittances has injected new demand into the residential market. In response to these opportunities, Ayala Land will continue to grow its residential business line, which accounted for 62% of total revenues as of 2012. A robust project pipeline will enable the Company to expand its product offering in existing areas and accelerate geographic expansion, aided by strategic landbanking and mixed-use development and project management projects.

The Company will strengthen and provide clear differentiation across its five residential brands, each targeting a distinct segment of the market: ALP for the high-end segment, Alveo for the middle-income market; Avida for the affordable housing segment; Amaia for the economic housing segment; and BellaVita for the socialized housing segment.

To be more competitive, the Company will continue to enhance margins by leveraging its brand and track record to maximize pricing power where possible, along with managing construction costs and streamlining the project delivery process.

The Company's ongoing residential projects under the ALP brand include Santierra, Elaro and Lusca in NUVALI, The Crestwood at Ayala Westgrove Heights, Ayala Greenfield Estates, The Residences at Greenbelt (Laguna Tower, San Lorenzo Tower and Manila Tower), One Serendra and most recently, the three towers of Park Terraces in Makati as well as The Suites in BGC. Ayala Land also introduced in 2005 its first leisure community project, Anvaya Cove Seaside Leisure Community, located in Morong, Bataan. Anvaya Cove, a 320-hectare development, is a high-end seaside residential resort community which offers a wide array of real estate options including residential lots, villas, and beach and nature club, among others.

As of December 31, 2012, Ayala Land booked 11,072 units, which was 40% higher than the year earlier. The Company was able to add 23,487 units of new inventory to buyers in 2012, with strong take up on new projects across all five brands.

Majority of the new units were from ALP's Garden Towers (340) and The Suites in BGC (298), Alveo's Sequioa (627), ABreeza Tower 1 in Davao (398), Solinea Tower 2 in Cebu (576), Avida Parkway Settings NUVALI (307), Avida Village Ceris NUVALI (213), Ridgeview Estates NUVALI (301), Avida Towers Centera III (649), Avida Towers Riala Tower 1 (621), Avida Towers Intima (747), Madera Grove Estates (366), AmaiaScapes Cavite (218), AmaiaSkies Sucat (1,632), AmaiaSkies Sta. Mesa (902), AmaiaSkies Avenida (1,167) and BellaVita Gen. Trias (1,450).

Sales to OF accounted for 16% of total residential sales as 2012, 40% higher in value terms as the impact of the US subprime crisis waned. Around 70% of the OF sales in 2012 came from the US and Asia-Pacific markets. As of 1Q 2013, OF sales amounted to ₱2.7 billion and comprised 21% of the total sales.

Aside from the expansion of sales efforts into other US states, Ayala Land is also looking at increasing its penetration in other markets such as Europe, the Middle East, and other fast growing markets like Singapore, China and Australia.

Strategic Landbank Management

SLMG is involved in the acquisition and development of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, and all the services that make up a vibrant and sustainable community.

With a long-term horizon, SLMG views its key landbank areas as launching pads for decades of development. Its approach to landbanking is oriented towards value creation and realization. SLMG applies financial discipline with a focus on yields, cashflows, and the judicious buying and selling of lots at the opportune time. The group develops, updates and refines masterplans, providing clear framework for decision making. It also engages community-based stakeholders such as local government units and other government entities to assure that vital infrastructure is in place to support the long-term development plans. Embedded in all these, and central to value creation and retention over time, is the concept of sustainability.

As of December 31, 2012, Ayala Land has a portfolio composed of 49 hectares in the Makati CBD, 29 hectares in BGC and 1,839 hectares in Canlubang, Laguna (NUVALI).

In August 2009, the Company signed a joint-venture agreement with the National Housing Authority ("NHA") for the development of a 29.1 hectare North Triangle property in Quezon City into a transit-oriented mixed-use CBD soon to be Metro Manila's gateway to the north.

Last year, Ayala Land won the bid for the acquisition of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig, which Ayala Land will transform into a new business district and become the southern gateway to Metro Manila.

In addition, the 21-hectare former Sta. Ana racetrack was launched in 2012 as The Circuit, which is envisioned to become the entertainment district of Makati.

Other recent moves made by Ayala Land to sustain growth in momentum in future years include the following:

- In Makati: The Ayala Center Redevelopment

  The redevelopment program for Ayala Center involves introducing pioneering mixed use development characterized by higher overall density and more integrated, efficient and forward looking concepts.

  The redevelopment program involves the turnover of a 7,377 sqm land located at the corner of Makati Avenue to Kingdom Hotel Investments for the development of a high-end hotel complex.

  Last year, the three towers of Park Terraces at the Ayala Center were launched. A branded businessman's hotel, a BPO office, and Glorietta 1 & 2, which form part of the first phase of the Ayala Center redevopment, is expected to open its doors to the public this year.

In December 2008, Ayala Land launched Glorietta 5 which consists of three levels of retail, five levels of BPO and two levels of basement parking.

Meanwhile, Phase 2 of the Greenbelt 5 complex opened in October 2008 complementing Phase 1 of Greenbelt 5 and The Link parking/retail building which opened in October 2007.

Land values remain high in the area. As of end-March 2013, developable land in Makati CBD is estimated by Colliers International at ₱298,000 per sqm.

- In BGC: Value Realization

  The Company's priming activities include Market! Market!, Serendra and Bonifacio High Street. Projects such as the recently opened St. Luke's Hospital, Mind Museum, and the Shangri-La Hotel Complex, will further drive land values upon completion. Last year, Bonifacio High Street (BHS) Central – an extension of the existing BHS – was opened with an additional 10,000 sqm of retail GLA. One BHS was also launched, anchored by the ALP's high-end residential tower The Suites with an estimated value of ₱9.0 billion. Last year, Bonifacio High Street South (BHSS) was also launched which will house residential towers and offering office-for-sale products through launch of the BHSS Corporate Plaza.

- In Canlubang / NUVALI: Full Scale Regional Center

  Priming of NUVALI, the Company's showcase township development for environmental, economic and social sustainability, is well underway. Better than expected land values have been realized for the 5,039 residential lots and units put on the market since the soft launch of all residential brands in October 2007. The first BPO building in NUVALI One Evotech with total GLA of 11,500 sqm became operational by the 4th quarter of 2008 and the second BPO building Two Evotech opened in 2011. Solenad 2, the sequel to the first retail component of the development Solenad 1, also opened in 2011 with an additional 5,300 sqm of GLA. Currently under construction is the fourth SEDA which will soon rise in NUVALI.

  On the infrastructure side, the North-South road was already completed, as well as the establishment of Wi-Fi access in the lakeside area.

Total project development cost is estimated at ₱6.0 billion for phase 1 from 2007 to 2013. In a disclosure dated January 12, 2012, Ayala Land and its subsidiaries will be spending an estimated ₱12.5 billion as part of its capital expenditure program over the next five years in NUVALI through various developments, which will include residential, retail, office and hotel projects.

Visayas-Mindanao

The Company has been active at all fronts of real estate business in the Visayas and Mindanao regions. Through affiliates Cebu Holdings, Inc. ("CHI") and Cebu Property Ventures Development Corporation ("CPVDC"), the Company offers the full range of Ayala Land's product line-up in the region: residential development, shopping center operations, office and BPO buildings and sale of commercial lots and club shares at City Sports Club Cebu.

It pioneered the seaside residential developments in Cebu with its landmark Amara project and has remained a market leader for the third consecutive year since its launch in 2005. In June 2007, Ayala Land entered the southern Philippine real estate market with the launch in Cagayan de Oro of Alegria Hills, ALP's first development in Mindanao. Two other Ayala Land projects in Negros Occidental continued to set the standards for local residential developments, Ayala Northpoint and Plantazionne Verdana Homes, both located in the suburbs of Bacolod City. In 2010, Ayala Land introduced its first high-rise residential towers in Cebu through ALP's 1016 Residences and Avida Towers Cebu I and II.

Given Cebu's role as a primary destination and international gateway in Visayas and Mindanao, its shopping market has grown significantly and has extended to other key cities in the province. Ayala Land, through CHI, has embarked on a major expansion and renovation of Ayala Center Cebu. Adjacent to the mall, The Terraces opened at Ayala Center Cebu with additional 7,900 sqm of GLA while the second phase of the redevelopment is currently undergoing construction. All in all, Ayala Center Cebu registered an occupancy rate of 97% as of end 2012.

With the growth of the IT industry, the demand for office space from both local and multinational companies continues to increase in Cebu. The Company, in partnership with CPVDC, built office spaces for lease to IT and IT-enabled firms and completed construction of Cebu eBloc, a 12-storey mid-rise office condominium, with a retail space at the ground floor. The Ayala Corporate Center in Cebu was likewise launched to address the demand for corporate offices.

As for developments in the Mindanao region, Ayala Land recently launched the first high rise residential projects in Davao through Alveo's Abreeza Residences and in Cagayan de Oro through Avida Centrio Towers. As mentioned earlier, Centrio Mall in Cagayan de Oro opened its doors in 2012.

COMMERCIAL LEASING

Shopping Centers

AMG is involved in the development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; and management and operations of malls which are co-owned with partners. Ayala Land operates and manages a total of more than 30 shopping centers and retail areas with a combined 1.2 million sqm in GLA

Ayala Land operates movie theater complexes with more than 40 screens and one live performance theater situated in its shopping centers. The movie theaters are operated primarily as a means of attracting customers to its shopping centers. The theaters are managed by Ayala Theaters Management, Inc. and Five Star Cinema, Inc., wholly-owned subsidiaries of Ayala Land.

Leases for retail space within the shopping centers are generally short-term, ranging from one to five years for the initial lease, renewable annually. Land leases, on the other hand, have longer terms, usually up to 50 years in the case of hotel tenants. In general, rental rates for retail space equal the higher of (i) a basic rent plus a percentage of the tenant's gross sales, or (ii) a specified minimum amount. Rental rates for leases on hotel and department store sites are generally based on a percentage of gross sales.

Ayala Land's large-scale mixed-use developments that feature a retail component are greatly enhanced by the quality and distinctiveness of the retail concepts conceived and implemented by AMG. At the BGC, for instance, Serendra, Bonifacio High Street (BHS) and the recently opened BHS Central are priming the development in its City Center. Serendra's retail zone complements the suburban lifestyle of the residential development with authentic and unique restaurants and shops.

AMG continuously provides compelling and engaging mall events and promotions which enhance the shopping experience and sustain high pedestrian traffic. More than 10,000 event days or at least 30 events were being held daily, among them product launches, concerts, children's meet-and-greet events and youth-oriented fairs, at the Ayala Malls in 2012.

AMG provides a strong year-round support to all merchants. Merchants are valued as long-term partners. AMG constantly interacts and exchanges ideas with its merchants and provides training and development support where needed.

The average occupancy rates of the consolidated malls were at 93% as of end 2012 with the opening of Harbor Point in Subic and Centrio Mall, while average building rental rates were 3% higher compared with 2011. TriNoma, which opened in May 2007, had an average occupancy rate of 99% as of end of last year. MarQuee Mall in Pampanga, which opened on September 26, 2009, experienced increasing occupancy, with last year ending at 88%. AMG's first mall in Davao Abreeza opened in May last year with almost 50,000 sqm of retail GLA and occupancy of 88% as of end 2012.

Ayala Land will pursue expansion plans anchored on the opportunities presented by the continued aspirational and lifestyle spending as well as growing value-consciousness among many families in different geographic areas. To ensure pipeline growth is based on right fundamentals, attention will be paid to selecting strategic sites, developing differentiated and superior product, serving the right markets, and ensuring proper execution of concepts for each new mall.

The Company also entered into a 50-year lease agreement with the Subic Bay Metropolitan Authority ("SBMA") and signed a joint-venture agreement with Anflo Management & Investment Corp. and Mindanao Motors Corp. which involves the construction of a shopping mall called Harbour Point inside the Subic Freeport Zone and in Cagayan de Oro City (Centrio), respectively, as part of the Company's geographic expansion program. Last year, a 30-year lease contract agreement was signed with Ellimac Prime Holdings for the development of a retail complex within a 6-hectare property in Fairview, Quezon City, called Fairview Terraces.

Last February 2011, the Board of Regents of the University of the Philippines (U.P.) awarded to the Company the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as the U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The Company signed a 25-year lease contract for the property, with an option to renew said lease for another 25 years by mutual agreement.

The project will involve the construction of a retail establishment with 63,000 sqm of available GLA and a combination of headquater-and-BPO-office type building with an estimated 8,000 sqm of GLA. The project, which has an estimated project cost of ₱3.0 billion, is scheduled to break ground within the year and is expected to be completed by the fourth quarter of 2013.

Corporate Business

ABG is involved in the development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings; and fee-based management and operations of office buildings. Ayala Land owns and operates 5 traditional and 35 BPO buildings with a total area of 542,000 sqm.

Ayala Land aims to be the leading provider of office space for BPOs and significantly built up its BPO portfolio from end-2007 levels of 35,803 sqm of GLA. The build-up involved a variety of offerings - in very choice locations - covering stand-alone, build-to-suit office buildings, integrated nodes within large-mixed used developments such as Glorietta 5, Glorietta 1 & 2, and Vertex One in San Lazaro, and entire self-contained BPO and IT campuses like the UP-Ayala Land TechnoHub, One and Two Evotech Buildings in NUVALI, and the AyalaLand Baguio TechnoHub, to name a few.

While Makati has been well established as the country's premier CBD for decades, the prospects are bright for BGC to mirror Makati's success in the future. Large corporates have purchased land and have chosen to build or relocate their offices in BGC.

Leased out rates are at 98% for traditional office buildings and 90% for BPO buildings as of end March 2013, due to opening of new BPO office buildings, with rental rates rising 6% from the same period in 2012 for BPO office buildings.

HOTELS AND RESORTS

Ayala Land is also involved in the development, operation and management of branded and boutique/businessman's hotels and eco-resorts. As of December 31, 2012, Ayala Land has in its portfolio the Hotel InterContinental Manila (334 rooms), the Cebu Marriott (301 rooms), Fairmont Hotel (280 rooms), Raffles Suites (32 rooms), and Raffles Residences (189 rooms), SEDA Bonifacio Global City (179 rooms), SEDA Centrio (150 rooms) and SEDA Abreeza (176 rooms). SEDA NUVALI is under construction which, once opened, will cater to the increasing number of business travelers into the country once completed.

The recovery in tourist arrivals, which grew 10% as of March 2013, and the increase in business travelers resulted in 10% and 24% improvement in average room rate for hotels and resorts, respectively, as of 1Q 2013.

In 2010, Ayala Land successfully ventured into eco-tourism via the partnership with the Ten Knots Group for a 60% stake in the world-famous El Nido Resorts in Palawan. As of end of 2012, there are 150 rooms available from Miniloc, Lagen and Apulit (previously Club Noah) Island Resorts and 42 villas from Pangalusian Island Resorts in El Nido Palawan.

Last year, the Hotels and Resorts Group consolidated its ownership by completing the acquisition of the remaining 80% stake in Fairmont Hotels and Raffles Suites and Residences from Kingdom Hotels, Inc.

SERVICES

Its support businesses include construction of Ayala Land and third-party projects, hotels development and management, property management, and waterworks operations and sewage treatment facilities in some of the Company's projects.

Construction

A wholly-owned subsidiary of Ayala Land, MDC is engaged in engineering, design and construction of vertical and horizontal developments including roads, bridges and utilities. MDC is responsible for horizontal construction works at Ayala Land's land developments and is likewise engaged in private industrial and government infrastructure projects. MDC also developed residential condominium buildings and mall projects. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors. MDC collaborated with First Balfour, Inc. to build the state-of-the-art 600-bed St. Luke's Medical Center at BGC, which was completed in November 2009 and was opened to the public in January 2010.

MDC's outstanding workmanship was demonstrated by the Leadership in Energy and Environmental Design (LEED) Gold Certification by the U.S. Green Building Council for the design and construction of the US Embassy expansion project in Manila – the first for a non-American contractor.

As of end March 2013, MDC had a total of 269 projects worth ₱65 billion in outstanding construction contracts.

MDC Build Plus was likewise formed, a 100% subsidiary of MDC, which will cater primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

Property Management

APMC, a wholly-owned subsidiary of Ayala Land, is engaged in property management, principally for Ayala Land and its subsidiaries. It also provided its services to third-party clients. Ayala Land's waterworks services pertain mainly to the operations of the water facilities in its residential and industrial developments (Laguna Technopark).

APMC guarantees worry-free ownership and helps property owners over the long haul in such areas as water, power and telecommunications, security, sustainable design and best practices aligned with green buildings, and assistance in managing the properties of owners living elsewhere. It offers a full suite of services not only to Ayala property owners and lessees but also to third party clients, including a centralized 24/7 concierge service as well as manages third-party carparks and is considered one of the largest third-party carpark operators in the country today. Among its key third-party clients are the International School Manila, Capitol Golf & Country Club, Makati Medical Center, Philippine Heart Center, ABS-CBN and all of Citibank's buildings, offices and branches nationwide. As of end last year, APMC has 153 managed facilities and has ₱1.4 billion in outstanding property management contracts.

International

Outside of the Philippines, Ayala Land is leveraging its current competencies to pursue attractive real estate investment opportunities.

The year 2007 marked the establishment and operation of ARCH Capital and its first Asian property fund, ARCH Capital Asian Partners LP. ARCH Capital Asian Partners is a private equity fund set up to pursue investments in Asian property markets which are in strong growth phases such as China, India and Thailand. The fund has several seeded investments and a number of projects that are moving actively. Among these are significant interests in a middle market residential community development project in Macau, a scaled medium-rise condominium project in Samut Prakarn province, Bangkok, and a high-end condominium project on Rama IV in the heart of Bangkok-Sathorn CBD. The fund's project management team, with its strong residential community development experience and the depth and support of Ayala personnel, has been actively involved in project design and planning stages for these projects.

First Longfield Investments Limited (incorporated in 2006) is wholly-owned by Ayala Land. Through Green Horizons Holdings Limited, it has a 17% stake in Arch Capital Management Co. Ltd, the fund management company established to handle the Asian private real estate equity fund which is co-sponsored by Ayala Land with Ayala Corporation.

In a disclosure to the SEC, PSE and PDEx dated March 7, 2011, Ayala Land, Ayala Corporation and The Rohatyn Group ("TRG"), an emerging markets-focused private investment firm, completed an exchange of ownership interests in ARCH Capital Management Co., Ltd ("ARCH Capital") and ARCH Capital Asian Partners, G.P. (a Cayman Islands company).

Ayala Land and Ayala Corporation, as sponsors of ARCH Capital, co-founded the investment management firm in 2006 together with Richard Yue. The exchange of ownership interest will result in TRG acquiring Ayala Land's 17% stake and Ayala Corporation's 33% interest, with Richard Yue retaining his current 50% interest in ARCH Capital. The completed exchange of ownership interests will leave the activities, management, focus, and shareholder structure of the ARCH Capital Fund unchanged, with Ayala Land retaining its current 8% stake in the Arch Capital Fund. Arch Capital Fund has existing projects in India, Thailand and China.

In another disclosure to SEC, PSE and PDEx dated August 3, 2010, the Company's wholly-owned subsidiary Regent Wise Investments Limited and Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. ("SSTEC") have signed an Equity Joint Venture Agreement for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-City ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase the future direction of urban planning and sustainable development.

The Company is currently developing residential units as part of the planned more than 1,100 units within a 19-tower residential complex which will be located at the gateway of the Eco-City's Start-Up Area. The project is ideally located and will be among the first developments that visitors will see when they enter the Eco-City. The project which will be comprised of 11 towers is expected to cost approximately US$110 million. This residential project is expected to be completed by 4Q 2014.

Other Revenue

In addition to the above business lines, Ayala Land also derives income from its investment activities and sale of non-core assets.

Contributions to Revenue

The table below illustrates the amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for the full year 2012, full year 2011 and 2010: (in ₱'000)

	2012	2011	2010
Consolidated revenues			
Domestic	54,524,815	44,205,533	37,813,499
Foreign	-	-	-
Net operating income			
Domestic	16,465,294	13,289,719	10,461,130
Foreign	-	-	-
Net income *(Attributable to equity holders of ALI)*			
Domestic	9,038,328	7,140,308	5,458,134
Foreign	-	-	-
Total assets			
Domestic	231,232,383	154,619,179	121,675,262
Foreign	-	-	-

Residential development business contributed 61% of 2011 consolidated revenues. The residential business includes development and sale of high-end lots and units, leisure properties, middle-income, affordable and economic housing.

Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets over the past three years

With 5,777 hectares of developable area in its landbank as of March 31, 2013, ALI believes that it has sufficient properties for development in next 20 to 25 years given its rapid pace of expansion.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In March 31, 2008, Ayala Land completed the sale of 100% of its equity shareholdings in three wholly-owned subsidiaries to Megaworld Corporation. The subsidiaries jointly own and operate a public parking facility in Ayala North, Makati CBD. The properties are considered non-strategic assets.

In a disclosure to the SEC dated August 27, 2009, ALI and the NHA signed a Joint Venture Agreement to develop the 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began last October 3, 2008.

ALI's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the NEDA Joint Venture Guidelines, features the development of a new CBD in Quezon City. The CBD will be developed as the Philippines' first transit-oriented mixed-use CBD that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset into a model for urban renewal. The development will also generate jobs and revenues both for both local and national governments.

ALI's vision for the North Triangle Property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the property, similar to the development experience in Fort Bonifacio.

The total project cost is estimated at ₱65 billion, inclusive of future development costs and the current value of the property, which ALI and the NHA will contribute as their respective equity share in the joint venture. ALI expects to start development within two years.

In March 2010, Ayala Land signed a 35-year lease agreement with the Pison group for a 2-hectare property in Iloilo City that will be used for the development of BPO buildings.

In April 2010, the Company through wholly-owned subsidiary Amaia signed a joint-development agreement ("JDA") with Eton Properties Inc. for the development of a 4-hectare property in Calamba, Laguna that will form part of Amaia Scapes in Laguna. In addition, Avida also signed a JDA with the Philippine National Bank for the development of a 2.3-hectare property along EDSA corner Reliance and Mayflower Sts. in Mandaluyong City into a residential complex.

As reported in the SEC Form 17-Q dated November 9, 2010, the Company announced a 30-year lease contract agreement signed with Ellimac Prime Holdings (Puregold and S&R Stores Group) for the development of a 6-hectare property in Fairview, Quezon City.

In a disclosure to the SEC, PSE, and PDEx dated 10 February 2011, the Board of Regents of the University of the Philippines (U.P.) awarded to the Company the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as the U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The Company signed a 25-year lease contract for the property, with an option to renew said lease for another 25 years by mutual agreement.

The project will involve the construction of a retail establishment with 63,000 sqm of available gross leasable area (GLA) and a combination of headquater-and-BPO-office type building with an estimated 8,000 sqm of GLA. The project, which has an estimated project cost of ₱3.0 billion, is scheduled to break ground within the year and is expected to be completed by the fourth quarter of 2013.

In another disclosure dated February 25, 2011, the Company and its subsidiary, Alveo Land Corp., have also entered into an agreement with Philippine Racing Club, Inc. to jointly pursue the development of the 21-hectare property located in Barangay Carmona, Makati City, more commonly known as the former "Sta. Ana Racetrack", subject to the fulfillment of certain closing conditions agreed upon by the parties. The project is intended as a mixed-use development consisting of residential, retail, and office components and will form part of the Company's ongoing developments in the City of Makati.

Last July 2011, the Provincial Government of Negros Occidental ("PGNO") and Ayala Land Inc.have completed successful negotiations for the development of the PGNO's 7.7 hectare property located in San Juan St., North Capitol Road, Bacolod City (the "Provincial Capitol Property"). An investment of approximately ₱6.0 billion is estimated by Ayala Land for the planning and construction of an integrated mixed-use civic and commercial district that will combine the center of government with commercial and residential uses, making the growth center of Metro Bacolod and Negros Occidental – the Capitol Civic Center – a one of a kind convergence of business community and government.

On November 2011, South Maya Ventures, Corp. (SMVC), a subsidiary of Ayala Land, Inc., operating under the brand name BellaVita – the Company's 5th residential brand – launched its first residential subdivision project in December 2011 in a 13.6-hectare property in General Trias, Cavite. The site is highly accessible from different routes and is strategically located at the center of schools, places of work, public transportation terminals and commercial destinations.

Phase 1 of the project will involve the development of 602 residential units within a 5.4-hectare parcel of land inside the property. Lot sizes will range from 34-65 sqm with a floor area of 21-23 sqm. Average prices are between ₱400,000.00 to ₱650,000.00 per unit. The project will have an estimated project cost of ₱250 million and is expected to be completed by 2013.

On November 23, 2011, the Company and Mitsubishi Corporation ("MC") of Japan announced that they have formalized a partnership to jointly engage in operations that will promote increased energy efficiency in the Philippines. The initiatives of the joint-venture partnership will be conducted through Philippine Integrated Energy Solutions, Inc. (PhilEnergy), which will be owned 60% by ALI and 40% by MC.

In 2011, Philenergy has already allocated an investment of close to a billion pesos for the construction two DCS plants which will serve the needs of the Ayala Center redevelopment in Makati and the Alabang Town Center. The Company is currently planning other DCS projects in Cebu, Davao, Cagayan de Oro, and Quezon City and will also tap into the large domestic and even regional market of facilities that require energy-saving solutions.

In a further disclosure to the SEC, Ayala Land signed a Joint Venture Agreement with Alsons Development and Investment Corporation (ALDEVINCO) for 25-hectare property in Lanang, Davao to be developed into a mixed-use, fully-integrated community.

Various Diversification/new product lines introduced by the Company during the last three years

In 2010, Ayala Land entered into the economic housing segment with the launch of AmaiaScapes in Laguna under the Company's subsidiary Amaia Land Corp. carrying the brand Amaia. This segment is expected to provide a steady end-user demand in the long-term as one-third of the estimated 18 million Filipino households and majority of the almost four million national housing backlog units belong to this segment.

Ayala Land also ventured into eco-tourism via the partnership with the Ten Knots Group for a 60% stake in the world-famous El Nido Resorts in Palawan in 2010.

In addition, the Company also broke ground for the first of Ayala Land's owned and operated boutique businessman's hotel brand Kukun in BGC and Davao City, in addition to previously launched Kukun hotels in Cagayan de Oro City and NUVALI, to pave the way for its entry into the businessman's hotel category and cater to the increasing number of business travelers into the country.

In 2011, the Company's 5th residential brand BellaVita, which will cater to the socialized housing segment, launched its first residential subdivision project in a 13.6-hectare property in General Trias, Cavite. The site is highly accessible from different routes and is strategically located at the center of schools, places of work, public transportation terminals and commercial destinations.

In addition, Philenergy has already begun official operations with the construction two district cooling system (DCS) plants which will serve the needs of the Ayala Center redevelopment in Makati and the Alabang Town Center. The Company is currently planning other DCS projects in Cebu, Davao, Cagayan de Oro, and Quezon City and will also tap into the large domestic and even regional market of facilities that require energy-saving solutions.

Distribution Methods of Products

The Company's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land (parent company) has its own in-house sales team. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 7,800 brokers and sales agents guided by a strict Code of Ethics.

The OF market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI also signed up marketing partners in Bahrain, Saudi Arabia, London and Spain. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi. In addition, One Ayala program, which bundles the products and services of Ayala Land, BPI and Globe Telecom, gives access to potential Ayala Land clients overseas, i.e. through BPI's 17 overseas offices and 81 tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Amaia (economic housing), Avida (affordable housing) and Alveo (middle-income housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

Effective second half of 2008, residential sales support transactions of ALP, Alveo, and Avida is being undertaken by the shared services company Amicassa Process Solutions, Inc. ("APSI") put up by the Company. In 2010, Aprisa Business Solutions, Inc. (APRISA) completed its full roll-out to handle transactional accounting processes across the Ayala Land group.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala

Land has different competitors in each of its principal business lines.

With respect to its mall business, Ayala Land's main competitor is SM Prime whose focus on mall operations gives SM Prime some edge over the Company in this line of business. Nevertheless, Ayala Land is able to effectively compete for tenants primarily based on its ability to attract customers -- which generally depends on the quality and location of its shopping centers, mix of tenants, reputation as a developer, rental rates and other charges.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner, quality of support services provided by its property manager, rental and other charges.

With respect to residential lot and condominium sales, Ayala Land competes with developers such as Megaworld, DMCI Homes, Robinsons Land, and SM Development Corporation. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income/affordable housing business, Ayala Land sees the likes of SM Development Corp, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

For the economic housing segment, Amaia competes with Camella Homes, DMCI Homes, Filinvest, Robinsons Land and SM Development Corporation.

Project and Capital Expenditures (Consolidated)

As of December 31, 2012, Ayala Land spent ₱71.3 billion for project and capital expenditures, 138% more than the ₱29.9 billion spent during the same period in 2011. Residential development accounted for 23% of total, with shopping centers and corporate business accounting for 10% and 2% of total capital expenditures, respectively. Of the total CAPEX spent in 2012, 57% was spent on various landbanking activities.

The ₱71.3 billion capital expenditures for 2012 represented 193% of the ₱37.0 billion initial budget for the year. The Company will adjust its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

During the first quarter of 2013, Ayala Land spent ₱10.3 billion for project and capital expenditures, 29% more than the ₱8.0 billion spent during the same period in 2012. About 40% was spent for residential projects, 22% for land acquisition, 21% for shopping centers, 5% for hotels and resorts, and the balance spent on offices and other land development activities.

The ₱10.3 billion spent on CAPEX for 1Q2013 represents 16% of the full year budget of ₱65.6 billion.

Subsidiaries and Affiliates

As of March 31, 2013, there are several companies which are either subsidiaries or affiliates of Ayala Land. Certain details and the percentage of direct and effective ownership held by Ayala Land of each of these companies are described below:

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
CORE BUSINESS			
Property Development			
Alveo Land Corp. (formerly Community Innovations, Inc.)	September 29, 1995	100	
Serendra, Inc.	June 7, 1994	28	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	March 5, 2011		65
BG South Properties, Inc. (BGS)	August 10, 2011		50
Avida Land Corp.	October 30, 1990	100	
Buklod Bahayan Realty and Development Corp.	November 5, 1996		100
Avida Sales Corp.	December 22, 2008		100
Amicassa Process Solutions, Inc.	June 2, 2008		100
Avencosouth Corp. (Avencosouth)	April 26, 2012		70
BG North Properties, Inc. (BGN)	August 5, 2011		50
Amaia Land Corp. (formerly First Communities Realty, Inc.)	May 29, 2000	100	
BellaVita Land Corp. (formerly South Maya Ventures Corp.),	March 21, 1995	100	
Roxas Land Corporation (RLC)	March 16, 1996	50.0	
Amorsedia Development Corporation	March 6, 1996	100	
OLC Development Corporation	June 28, 1996		100
HLC Development Corporation	June 28, 1996		100
Allysonia International Ltd.	February 18, 2000		100
Ayala Land Sales, Inc.	March 6, 2002	100	
Ayala Land International Sales, Inc. (ALISI)	March 29, 2005	100	
Ayalaland International Marketing, Inc. (AIMI)	February 28, 2012		100
Nuevo Centro, Inc.	April 15, 2011	100	
BG West Properties, Inc.	August 5, 2011	50	
Aurora Properties, Inc.	December 3, 1992	70	
Vesta Property Holdings, Inc.	October 22,1993	70	
Ceci Realty, Inc.	August 22, 1974	60	
Regent Time International Limited	March 28, 2003	100	
Buendia Landholdings, Inc.	October 27, 1995	100	
Red Creek Properties, Inc.	October 17, 1994	100	
Crimson Field Enterprises, Inc.	October 26, 1995	100	
Crans Montana Property Holdings Corp	December 28, 2004	100	
Ecoholdings Company, Inc.	September 25, 2008	100	
Shopping Centers			
NorthBeacon Commercial Corporation	August 13, 1970	100.0	
Station Square East Commercial Corporation (SSECC)	March 17, 1989	69	
Accendo Commercial Corp.	December 17, 2007	67	
Avencosouth Corp.	April 26, 2012		20

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
ALI-CII Development Corporation	August 6, 1997	50	
Alabang Commercial Corporation	June 28, 1978	100	
North Triangle Depot Commercial Corporation (NTDCC)	March 20, 2001	49	
Primavera Towncentre, Inc. (PTI)	December 18, 2009	100	
Subic Bay Town Centre, Inc.	March 9, 2010	100	
Ayala Theatres Management, Inc.	August 10, 1984	100	
Five Star Cinema, Inc.	December 18, 2000	100	
Food Court Company, Inc.	November 14, 1997	100	
Leisure and Allied Industries Phils., Inc.	October 10, 1997	50	
Cagayan de Oro Gateway Corp. (CDOGCC)	March 3, 2010	70	
Arvo Commercial Corporation	June 23, 2011	100	
Cavite Commercial Town Center, Inc.	July 31, 2009	100	
Corporate Business			
Laguna Technopark, Inc.	November 15, 1990	75	
Ecozone Power Mgt. Inc.	August 20, 2010		75
Asian I-Office Properties, Inc. (AiO)	September 24, 2007	60	
ALI Property Planners Corp. (APPCo)	July 26, 2006	68	
One Dela Rosa Prop. Devt. Inc.	September 4, 2006		68
First Gateway Real Estate Corp.	September 4, 2006		68
Glensworth Development, Inc. (Glensworth)	August 23, 2007		68
UP North Property Holdings, Inc.	March 26, 2007		68
Gisborne Property Holdings, Inc.	August 24, 2007	100	
Sunnyfield E-Office Corporation	July 7, 2008	100	
Asterion Technopod, Inc.	July 8, 2008	100	
Crestview E-Office Corporation	July 8, 2008	100	
Summerhill E-Office Corporation	July 7, 2008	100	
Hillsford Property Corp.	August 24, 2007	100	
Hotels and Resorts			
Ayala Hotels, Inc.	April 11, 1991	50	
AyalaLand Hotels and Resorts Corporation (AHRC)	September 21, 2010	100	
Enjay Hotels, Inc.	July 12, 1990		100
Cebu Insular Hotel Company, Inc.	April 6, 1995		63
Greenhaven Property Venture, Inc.	July 9, 2008		100
Bonifacio Hotel Ventures, Inc.	October 13, 2010		100
Southcrest Hotel Ventures, Inc.	October 18, 2010		67
Northgate Hotel Ventures, Inc.	October 18, 2010		70
North Triangle Hotel Ventures, Inc.	October 18, 2010		100
EcoSouth Hotel Ventures, Inc.	May 19, 2011		100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (AMHRI)	January 30, 2007		80
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (AMHPI)	August 13, 2007		80
Ten Knots Philippines, Inc. (TKPI)	November 22, 1979	60	
Ten Knots Development Corp. (TKDC)	August 22, 1992	60	
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	January 30, 2007	20	
ALI Makati Hotel Property, Inc. (formerly KHI	August 13, 2007	20	

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
Manila Property, Inc.)			
Visayas Mindanao			
Cebu Holdings, Inc. (CHI)	December 9, 1988	50	
Cebu Property Ventures & Development Corp. (CPVDC)	August 2, 1990	7.8	76
Cebu Leisure Company, Inc.	January 31, 1994		100
CBP Theatre Management Inc.	February 1, 1994		100
Cebu Insular Hotel Company, Inc.	April 6, 1995		37
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	March 5, 2011		35
Adauge Commercial Corporation (Adauge)	September 5, 2012	100	
International			
First Longfield Investments Limited	October 23, 2006	100	
Green Horizons Holdings Limited	October 25, 2006		100
Regent Wise Investments Limited	May 12, 2010	100	
SUPPORT BUSINESS			
Construction			
Makati Development Corporation	August 15, 1974	100	
MDC - Build Plus, Inc.	October 17, 2011		100
MDC - Subic	June 28, 2010		100
Property Management			
Ayala Property Management Corporation (APMC)	August 8, 1977	100	
OTHERS			
MZM Holdings, Inc. (MZM)	October 9, 1997	100	
Studio Ventures, Inc.	September 19,1997	100	
AyalaLand Commercial REIT, Inc.	September 30, 2010	100	
Aprisa Business Process Solutions, Inc.	September 21, 2010	100	
Philippine Integrated Energy Solutions, Inc.	September 21, 2010	60	
Direct Power Services, Inc.	September 14, 2011	100	
ALInet.com, Inc.	May 5, 2000	100	
CMPI Holdings, Inc.	May 30, 1997	60	
CMPI Land, Inc.	March 27, 1998		36
Varejo Corp. (Varejo)	June 25, 2012	100	
Southgateway Development Corp. (SDC)	October 19, 2012	100	
Ayalaland MetroNorth, Inc. (AMNI)	November 29, 2012	100	

Residential Development

Alveo Land Corp., 100% owned by Ayala Land, offers various residential products to the middle-income market. Alveo's projects over the past three years include Verdana Homes Mamplasan, Verdana Village Center, MarQuee, Treveia NUVALI, Celadon Residences, Celadon Park, The Columns at Ayala Avenue, The Columns at Legazpi Village, Senta and Ametta Place in Pasig.

Avida Land Corp., a 100%-owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots. Avida also ventured into the development and sale of residential condominiums. Project launches in the past three years included Avida Towers Sucat, Avida Towers New Manila, Avida Towers San Lazaro, Avida Towers Makati West, Avida Settings NUVALI, Avida Residences San Fernando, Avida Residences Sta. Cecilia, and Riego de Dios Village.

Amaia Land Corp., formerly a subsidiary of Avida is now a wholly owned subsidiary of Ayala Land, was established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment.

BellaVita Land Corp. (formerly South Maya Ventures Corp.), wholly-owned subsidiary of Ayala Land, aims to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011.

Serendra, Inc., 28%-owned by ALI and 39%-owned by Alveo, is engaged in residential development. In 2004, it launched Serendra, a residential complex at the BGC in Taguig.

Solinea (formerly Bigfoot Palms, Inc.), a landholding entity, was acquired on March 05, 2011 through Alveo Land Corporation through acquisition of 65% shares of stock. The remaining 35% was acquired by Cebu Holdings, Inc., an associate of the Group.

Roxas Land Corp., 50% owned, sold out One Roxas Triangle in 2007. The project was started in 1996 and was completed in September 2001.

Ayala Greenfield Development Corporation ("AGDC"), 50-50% owned by Ayala Land and Greenfield Development Corporation, started development of Ayala Greenfield Estates in Calamba, Laguna in 1999. Over the past twelve years, AGDC continued to develop and sell lots in this high-end residential subdivision.

Nuevo Centro, Inc., a wholly-owned subsidiary of Ayala Land, was established primarily to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities.

BG West Properties, Inc., BG South Properties, Inc. and *BG North Properties, Inc.* were incorporated to engage in the development of high-end, middle-end and affordable residential and retail projects, respectively, in Bonifacio Global City.

Avencosouth was incorporated in the Philippines and is currently engaged in condominium development operations. The Company holds 90% indirect interest in Avencosouth as of December 31, 2012. It is 70% owned by Avida (wholly-owned subsidiary of the Company) and 30% owned by Accendo (67% owned by the Company). Avencosouth was registered with the SEC on April 26, 2012 and started commercial operations on August 11, 2012.

AIMI, a wholly-owned subsidiary of ALISI, was incorporated on February 28, 2012 to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

Strategic Landbank Management

Aurora Properties, Inc. and *Vesta Property Holdings, Inc.* are 70% owned by Ayala Land, while

Ceci Realty, Inc. (incorporated in 1974) is 60% owned. These companies, joint ventures with the Yulo Family, finalized plans for the development of nearly 1,700 hectares of land in Canlubang, Laguna.

Emerging City Holdings, Inc. and *Berkshires Holdings, Inc.*, both 50% owned, served as Ayala Land's corporate vehicles in the acquisition of a controlling stake in Bonifacio Land Corp. / Fort Bonifacio Development Corp. ("FBDC") through Columbus Holdings, Inc. in 2003. FBDC continues to sell commercial lots and condominium units at the BGC while it leases out retail spaces.

Regent Time International Limited, 100% owned by Ayala Land, also owns a stake at Bonifacio Land Corp. / Fort Bonifacio Development Corp.

Shopping Centers

NorthBeacon Commercial Corporation – formerly Alabang Theatres Management Corporation, is Ayala Land's wholly-owned vehicle for its MarQuee Mall in Pampanga, which commenced development in March 2007 and began operations in September 2009.

Station Square East Commercial Corporation, 69% owned subsidiary of Ayala Land, broke ground in 2002 for Market! Market!, a 150,000-sqm mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 and Phase 1B in 2005.

Accendo Commercial Corp., with a 67% stake, ALI entered into a joint venture agreement with Anflo Group to develop a mixed-use project in Davao City.

ALI-CII Development Corporation, a 50-50% joint venture with Concepcion Industries, continued to operate Metro Point, a mid-market mall at the corner of EDSA and Taft Avenue, which was completed in the fourth quarter of 2001.

Alabang Commercial Corporation, 50% owned by Ayala Land, continued to manage and operate the Alabang Town Center.

North Triangle Depot Commercial Corporation, 49% owned by Ayala Land, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 191,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

Primavera Town Centre, Inc, 100% wholly-owned subsidiary, was also formed to handle the planning, development and management of small-format retail facilities known as "neighborhood centers" within the Company's existing and planned growth centers across the country.

Subic Bay Town Centre, Inc., 100% owned by Ayala Land, was incorporated on March 9, 2010 for the planning, development management of a mall to be located in Subic Bay Freeport Zone.

Ayala Theaters Management, Inc., 100% owned, continued to manage and operate theaters at the Ayala Center in Makati.

Five Star Cinema, Inc., also wholly-owned, continued to manage and operate theaters at the Alabang Town Center.

Food Court Company, Inc., a 100% owned subsidiary of Ayala Land, handles foodcourt operations known as Food Choices at the Glorietta 4.

Leisure and Allied Industries Phils., Inc., a 50-50% joint venture of Ayala Land with Australian company, LAI Asia Pte. Ltd., continued to operate family entertainment centers called TimeZone in various Ayala malls, as well as other malls.

Cagayan De Oro Gateway Corp. was established to pursue a mixed-use development with a 47,000 sqm regional mall as its centerpiece. A 150-room boutique hotel shall be located on top of the mall, while a single tower residential condominium with 21 floors and 522 rooms shall be located right beside the mall. The project is strategically located in the economic hub of Cagayan de Oro City.

Arvo Commercial Corporation (ACC), a wholly owned subsidiary of the Ayala Land, was established primarily to develop and operate shopping malls within the ALI identified growth areas across the country.

Corporate Business

Laguna Technopark, Inc., 75% owned, continued to sell industrial lots to local and foreign company locators. It also leases ready-built factory units within the Laguna Technopark.

Asian I-Office Properties, Inc - In 2008, the Company was invited by CPVDC, an ALI affiliate, to be a partner in the Asian i-Office Properties, Inc. ("AiO") for a 60% stake. It manages and operates two BPO buildings located in the Asiatown IT Park in Cebu (eBloc and Peak Building A).

ALI Property Partners Corp., is the Company's 80%-owned vehicle in partnership with MLT Investments (Goldman Sachs) which handle various BPO projects and investments.

Gisborne Property Holdings, Inc., Sunnyfield E-Office Corporation, Asterion Technopod, Inc., Crestview E-Office Corporation, Summerhill E-Office Corporation and Hillsford Property Corp. are wholly-owned entities established to handle, develop and manage all future BPO buildings located at various growth centers within the Philippines.

Hotels and Resorts

Ayala Hotels, Inc., 50% owned, currently manages hotel land lease operations.

AHRC, a wholly-owned subsidiary of Ayala Land which will serve as a holding company for the Group's hotels and resorts operations.

Ten Knots Philippines, Inc. and Ten Knots Development Corp.(The Ten Knots Group), 60% owned by Ayala Land in partnership with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) involved in the development of parcels of land and islands into resorts in Palawan.

Greenhaven Property Venture, Inc., 100% owned by Ayala Land established to plan, develop and manage the hotel being constructed in Glorietta 1 as part of the Ayala Center redevelopment project.

Visayas-Mindanao

Cebu Holdings, Inc., 47% owned by Ayala Land, continued to manage and operate the Ayala Center Cebu and sell condominium units and lots within the Cebu Business Park. The company also launched Amara, a high-end seaside residential subdivision, and continued to sell club shares at City Sports Club Cebu. Through Cebu Property Ventures Development Corporation, CHI also continued to sell lots at the Asiatown IT Park.

Adauge, a wholly-owned subsidiary of the Company, was incorporated on September 5, 2012 for the acquisition and development of a mixed-use project in Mandurriao, Iloilo City.

International

First Longfield Investments Limited is wholly-owned by Ayala Land. Through Green Horizons Holdings Limited, it has a 17% stake in Arch Capital Management Co. Ltd, the fund management company established to handle the Asian private real estate equity fund which is co-sponsored by Ayala Land with Ayala Corporation.

Regent Wise Investments Limited (Regent Wise), a wholly-owned subsidiary of Ayala Land, formed to enter into an Equity Joint Venture with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-city ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development.

Construction

Makati Development Corporation, 100% owned by Ayala Land, continued to engage in engineering, design and construction of horizontal and low-rise vertical developments. It continued to service site development requirements of Ayala related projects while it provided services to third-parties in both private and public sectors.

MDC Build Plus was formed to cater primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

Property Management

Ayala Property Management Corporation, 100%-owned by Ayala Land, continued to manage properties of Ayala Land and its subsidiaries. It also provided its services to third-party clients.

Others

AyalaLand Commercial REIT, Inc., a wholly-owned subsidiary of Ayala Land was formed in September as a vehicle through which Ayala Land will own and operate select investment properties and which Ayala Land intends to undertake an IPO under the recently passed Republic Act No. 9856 or the Philippines Real Estate Investment Trust ("REIT") Law. Said investment properties shall include prime shopping center and office assets currently owned by the Company which are mature, have recurring income streams and have achieved stable occupancy rates.

Aprisa Business Solutions, Inc., a wholly-owned subsidiary of Ayala Land that will initially manage transactional accounting services.

Philippine Integrated Energy Solutions, Inc., a wholly owned subsidiary of Ayala Land established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity.

Direct Power Services, Inc., (DirectPower), a wholly owned subsidiary of the ALI, was formed to engage in the bulk purchase and supply of electricity and to introduce various energy solutions.

Varejo, a wholly-owned subsidiary of the Company, was incorporated with the Securities and Exchange Commission (SEC) on June 25, 2012. It is the holding company of the Company for its retail-related initiatives. In 2012, the Company, through Varejo, formed a partnership with Specialty Investments, Inc. (SII) to pursue opportunities in the Philippine retail sector. SII is a wholly-owned subsidiary of Stores Specialists, Inc. (SSI), one of the largest retail companies in the Philippines, with the exclusive rights to sell, distribute and market in the country a variety of brands from around the world. The partnership with SII will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

SDC, a wholly-owned subsidiary of the Company, was incorporated on October 19, 2012 to be involved in real estate development projects of the Group.

AMNI was incorporated in November 29, 2012 and is a wholly-owned subsidiary of the Company. It is established primarily to develop and operate shopping malls and offices.

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Research and Development

While the Company engages in research and development activities, the expenses incurred in connection with these activities are not material.

Employees

Ayala Land has a total workforce of 493 regular employees as of March 31, 2013.

The breakdown of the ALI - Parent Company employees according to category is as follows:

Executive	22
Managers	213
Supervisors	84
Rank & File	174
Total	**493**

ALI continues to implement programs to promote the engagement of its employees. With the growth of the business, new learning opportunities arise as well as new career opportunities are created for employees

The Company has embarked on a robust leadership development and talent management program for leaders at the frontline, middle management and senior levels. It has put together and rolled out a New Managers course which highlight ALI's operating principles and equip managers with tools to become even more effective and engaging leaders. Middle and senior managers (AVPs up) attend specific corporate-wide leadership programs facilitated by Harvard Business School.

As part of ALI's continuing thrust to promote integrity and transparency in the conduct of its business, employees filed their Annual Business Interests and Related Party Disclosure forms with the Human Resources Division (HRD) during the first quarter of 2013.

Intellectual Property and Licenses

Intellectual Property

The Company has been licensed by Ayala Corporation, as the owner of the brand and business name "Ayala", to use the name "Ayala" in all of the Company's current projects which carries the said brand. The Company is required to obtain the consent and approval of Ayala Corporation for future projects which will carry the brand.

Ayala Land (by itself or through its subsidiaries) has secured registrations for its major brands ALP, Alveo, Avida, Amaia, BellaVita, and Ayala Malls. As a matter of policy, the Company and its subsidiaries also apply for, obtain and maintain trade name registrations for its various developments, projects and events.

In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of ten (10) years, unless terminated earlier.

Licenses

Phenix Building System. A joint venture agreement between Maison Individuelles, S.A. ("MISA") of France and Avida was organized in June 1998 and subsequently registered with the SEC as Laguna Phenix Structures Corporation ("LPSC") in July 1999.

LPSC, a 50%-50% joint venture, is primarily engaged in the business of manufacturing, installation, erection and construction, marketing and promotion, and wholesaling of buildings, houses and other structures and accessories using the "Phenix" technology (for which a patent has been registered and issued in the Philippines under RP Patent No. 29862). Both MISA and Avida assigned their respective license rights to LPSC since the latter's incorporation.

Regulation

Presidential Decree No. 957, as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for primarily residential purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government which enforces this decree and has jurisdiction to regulate the real estate trade and business.

In this regard, all subdivision plans and condominium project plans of ALI are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, ALI's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant local government unit. ALI, as owner of and dealer in real estate projects, is required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Dealers, brokers and salesmen of real estate projects of ALI are also required to register with the Philippine Regulatory Commission. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party. ALI has been able to maintain these permits and licenses.

Under current regulations, ALI as developer of residential subdivisions is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. On the other hand, as a developer of commercial subdivisions, ALI is required to reserve at least 3.5% of the gross project area for parks or playgrounds. ALI has been compliant with these requirements.

Under the agrarian reform law and the regulations issued thereunder by the Department of Agrarian Reform ("DAR"), land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR. Republic Act No. 9700, the law extending the term of the comprehensive agrarian reform program for another five (5) years, was signed by President Arroyo on August 7, 2009. Prior to undertaking any development of agricultural lands, ALI obtains the necessary conversion as approved by the DAR.

While the 1987 Philippine Constitution prohibits foreigners from owning land, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. To the extent of the foregoing, ALI's foreign market for real estate projects is limited

Republic Act No. 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB. ALI has been compliant with this requirement in accordance with the rules and regulations implementing Republic Act No. 7279.

Construction

The construction industry in the Philippines is subject to regulation by the Government as described below.

Licenses. A regular contractor's license is required to be obtained from the Philippine Contractors Accreditation Board ("PCAB"). In applying for and granting such license, the PCAB takes into consideration the applicant-contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity, (ii) equipment capacity, (iii) experience of firm, and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate Government agencies prior to actually undertaking each project. MDC is duly accredited by the PCAB as a licensed contractor and maintains all required qualifications in compliance with the PCAB's requirements.

Minimum Philippine Ownership Requirement. Under Philippine law, in order to bid on publicly funded Government contracts, a contractor must be at least 75% owned by Philippine nationals. For purposes of this determination, Ayala Land has maintained at least 60% ownership by Philippine nationals, to be considered owned by a Philippine National for purposes of the foregoing determination with respect to MDC.

Property Laws

Land Registration

The Philippines has adopted a system of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims annotated on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription.

Unregistered land may be brought under the system if, after proper surveying, application, publication, service of notice and hearing, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals. After the lapse of the period of appeal, the Registry of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and issuance of a new title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

In accordance with the said system of land registration, ALI ensures that all properties held or developed are properly covered by valid and subsisting certificates of title.

Zoning

Land use may be limited by zoning ordinances enacted by provinces, cities or municipalities. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. All developments of ALI comply with the applicable zoning classification.

Subdivisions and Condominiums

All subdivision lots and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the local government unit in which the project is situated. The development of subdivision lots and condominium projects can commence only after the local government unit has issued the development permit.

The issuance of a development permit is dependent on compliance with required project standards and technical requirements which may differ depending on the nature of the project. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one (1) year from the issuance of the development permit.

Subdivision lots or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision lot or condominium project and compliance with applicable laws and regulations. All documents evidencing conveyances of subdivision and condominium units should be registered with the relevant Registry of Deeds.

Title to the subdivision lot or condominium unit must be delivered to the purchaser upon full payment of the purchase price.

The foregoing permits, licenses and approvals are secured by and complied by ALI for its subdivision and condominium developments

Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually. ALI promptly pays the real estate taxes and assessments on the properties it owns.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. As a requisite for the issuance of an ECC, an environmentally critical project must prepare an Environmental Impact Statement ("EIS"), while a project in an environmentally critical area must prepare an Initial Environmental Examination ("IEE"), without prejudice to the power of the DENR to require a more detailed EIS. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

In addition to the requirement for the issuance of an ECC, all public and private proponents of subdivision development projects, housing projects and other land development and infrastructure projects are required to undertake an Engineering Geological and Geohazard Assessment (EGGA). The EGGA is undertaken in order that project proponents can adequately and comprehensively address and mitigate the possible effects/impacts of geologic hazards. To comply with this requirement, the proponent causes the preparation of an Engineering Geological and Geohazard Assessment Report (EGGAR) which includes the results of all engineering geological, structural geological and geohazard assessment and geotechnical tests, with any other specialized studies and tests undertaken, as prescribed by the DENR- Mines and Geosciences Bureau (MGB). The EGGAR shall be subject to review/verification by DENR-MGB and for appropriate transmittal or endorsement to the DENR-EMB and other concerned government Agencies. The EGGAR is used as an institutional planning tool to safeguard development projects from the hazards caused by geological phenomena. ALI undertakes the EGGA and secures ECCs prior to commencement of its real estate projects and exerts best efforts to comply with the conditions specified therein.

In general, there have been no materially significant or extraordinary costs incurred by ALI and its subsidiaries, taken as a whole, in respect of environmental compliance. ALI and its subsidiaries' costs of compliance with applicable environmental laws and regulations vary from project to project depending on various factors, especially local conditions. However, none of such costs have been material in respect of their finances as a whole.

DESCRIPTION OF PROPERTIES

LANDBANK / PROPERTIES WITH MORTGAGE OR LIEN

The following table provides summary information on ALI's landbank as of March 31, 2013. Properties are wholly-owned and free of lien unless noted.

Location	*Hectares*	*Primary land use*
Makati[1]	49	Commercial/Residential
Taguig[2]	103	Commercial/Residential
Makati (outside CBD)[3]	22	Commercial/Residential
Alabang[4]	18	Commercial/Residential
Las Piñas/Paranaque	131	Commercial/Residential
Manila / Pasay[5]	4	Commercial/Residential
Quezon City[6]	127	Commercial/Residential
Others in Metro Manila	28	Commercial/Residential
Metro Manila	***482***	
NUVALI[7]	1,839	Commercial/Residential/Industrial
Laguna (ex-Canlubang)[8]	466	Commercial/Residential/Industrial
Cavite[9]	608	Commercial/Residential
Batangas/Rizal/Quezon[10]	406	Commercial/Residential
Calabarzon	***3,319***	
Bulacan/Pampanga[11]	***333***	Commercial/Residential
Others in Luzon[12]	***1,125***	Commercial/Residential
Bacolod/Negros Occidental	13	Commercial/Residential
Cebu[13]	187	Commercial/Residential
Davao[14]	119	Commercial/Residential
Cagayan De Oro[15]	181	Commercial/Residential
Iloilo[16]	18	
Visayas/Mindanao	***518***	
TOTAL	***5,777***	

[1] Makati includes sites of Mandarin Hotel (1.6 has.) and Peninsula Hotel (2.0 has.) which are 50% owned through Ayala Hotels, Inc., and remaining area at Roxas Triangle (0.3 ha.) which is 50% owned. 1.37 ha. is mortgaged with BPI in compliance with BSP ruling on directors, officers, stockholders and related interests.

[2] Taguig includes the recently acquired FTI property in Taguig with a total of 73.7 has and the 9.8-ha. site of Market! Market! under lease arrangement with BCDA; 11.3 has. in Taguig is owned through Fort Bonifacio Development Corporation.

For Market! Market!, the lease agreement with the BCDA covers a period of 25 years (renewable for another 25 years) and involves an upfront cash payment of P688 million and annual lease payments with fixed and variable components.

[3] Includes a 21-ha. property which is under a joint development agreement with Philippine Racing Club, Inc.

[4] Alabang pertains to the 17.6-ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp. (ACC), 3.7 ha. of which is subject of a Mortgage Trust Indenture as security for ACC's short-term loans with Bank of the Philippine Islands.

[5] Manila/Pasay includes 1.3 has. which are under joint venture with Manila Jockey Club, Inc. and 0.3-ha. site of Metro Point which is 50% owned through ALI-CII Development Corp.

[6] Includes 46.6 has. under lease arrangement with University of the Philippines; the 13-ha. site of TriNoma which is under lease arrangement with the Department of Transportation and Communication; a 2.0-has. property which is being leased from Ellimac Prime Holdings, Inc. and a 29.2-has. property on a joint development agreement with the National Housing Authority and a 2.0-has. property under lease agreement with MBS Development Corp.

TriNoma is 49% owned by ALI through North Triangle Depot Commercial Corp.

[7] NUVALI includes 860 has. which are 70% owned through Aurora Properties, Inc. and Vesta Holdings, Inc.; also includes 269 has. which are 60% owned through Ceci Realty, Inc.

[8] Laguna (excluding Canlubang) includes 92.5 has. which are under a 50-50% joint venture with Greenfield Development Corp.; 4.5 has. in Laguna Technopark, Inc. which is 75% owned by Ayala Land; and 3.3-ha. site of Pavilion Mall which is under 25-year lease arrangement with Extra Ordinary Group, with an option to renew every 5 years thereafter.

[9] Cavite includes 5 has. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines and a 5-has. property being developed under a land lease agreement

[10] Batangas includes 7 has. in Sto. Tomas project which is under an override arrangement.

[11] Pampanga includes 540 has. in Porac is 55% owned under Nuevo Centro.

[12] Includes 275.8 has in Bataan pertaining to the Anvaya Cove property which is under joint development agreement with SUDECO, a 6.5-has. property in Subic on lease agreement with Subic Bay Management Authority and a 19-has. Land lease with the government in Palawan.

[13] Cebu includes the 8.6 has. lot pad of Ayala Center Cebu which is 47% owned through Cebu Holdings, Inc. (CHI); 0.62-ha. Cebu Insular Hotel site owned by Ayala Hotels, Inc. and Cebu Holdings, Inc.; 8 has. in Asiatown IT Park which is owned by Cebu Property Ventures and Development Corporation which in turn is 76% owned by CHI.0.62 ha. is subject to a mortgage trust indenture securing Cebu Insular Hotel Company Inc.'s term loan with Bank of the Philippine Islands, which was refinanced on a clean basis on February 2013.

[14] Davao includes a 8.2-ha. Property which is 70% owned through Accendo Commercial Corp.

[15] Cagayan de Oro includes 3.3 has. which are 70% owned through Cagayan de Oro Gateway Corp. and 177 has. which is under a JDA agreement with Promenade Land Holdings, Inc.

[16] Includes a 2.0 has. land lease for the Iloilo BPO property and a 16-ha. property owned through a JDA agreement with KAPIDECO

LEASED PROPERTIES

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

On January 28, 2011, a notice was given to the Company for the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for a 58,000 square meters another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space.

RENTAL PROPERTIES

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. In the year 2011, rental revenues from these properties accounted for ₱8.14 billion or 18% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

PROPERTY ACQUISITIONS

With 5,777 hectares in its landbank as of March 31, 2013, Ayala Land believes that it has sufficient properties for development in next 25 years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In a disclosure to the SEC dated February 10, 2011, ALI was awarded by the Board of Regents of the University of the Philippines (U.P.) the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The lease contract is for a period of 25 years, with an option to renew said lease for another 25 years by mutual agreement. The development of the site involves the construction of a retail establishment with 63,000 square meters of available GLA and a combination of headquarter-and-BPO office type building with an estimated 8,000 square meters of GLA.

In February 2011, the Company through wholly-owned subsidiary Alveo Land entered into an agreement with Philippine Racing Club, Inc. to jointly pursue the development of the 21-hectare property located in Barangay Carmona, Makati City, more commonly known as "Sta. Ana Racetrack." The project is intended as a mixed-use development and will form part of the Company's ongoing developments in the City of Makati.

In a disclosure to the SEC, PSE and PDEx dated June 29, 2012, the Executive Committee of Ayala Land authorized the negotiation and entry into a strategic alliance with the Group led by Mr. Ignacio R. Ortigas for the purpose of allowing Ayala Land to participate in OCLP Holdings, Inc., the parent company of Ortigas & Company Limited Partnership, and in the development of its various properties and businesses.

MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES

The following properties of the Company are mortgaged with BPI in compliance with BSP ruling on directors, officers, stockholders and related interests:

1. 1.37 has. in Makati
2. 0.62 ha. in Cebu which was refinanced on a clean basis on February 2013.
3. 3.7 has. In Alabang

CERTAIN LEGAL PROCEEDINGS

As of March 31, 2013, ALI, its subsidiaries, and its affiliates, are not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

However, there are certain litigation ALI is involved in which it considers material, and though the events giving rise to the said litigation occurred beyond the five (5) year period, the same are still unresolved, as follows:

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning October 1993, ALI filed petitions in the RTC of Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these adverse claimants. A number of these cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The remaining pending cases involve the remaining area of approximately 126 hectares.

As a result of the explosion which occurred on October 19, 2007 at the basement of the Makati Supermarket Building, the Philippine National Police has filed a complaint with the Department of Justice ("DOJ") and recommended the prosecution of certain officers/employees of Makati Supermarket Corporation, the owner of the building, as well as some employees of ALI's subsidiary, Ayala Property Management Corp. ("APMC"), among other individuals, for criminal negligence. In a Joint Resolution dated April 23, 2008, the DOJ special panel of prosecutors ruled that there was no probable cause to prosecute the APMC employees for criminal negligence. This was affirmed by the DOJ Secretary in a Resolution dated November 17, 2008. A Motion for Reconsideration was filed by the Philippine National Police which remains pending with the DOJ. To date, no civil case has been filed by any of the victims of the incident.

ALI has made no provision in respect of such actual or threatened litigation.

MARKET PRICE OF AND DIVIDENDS ON AYALA LAND'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Ayala Land was incorporated in June 1988 and was listed on the PSE in July 1991.

Market Information

Ayala Land common shares are listed in the PSE.

Stock Prices (in ₱/share)

	High			Low			Close		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
First Quarter	32.85	22.10	16.38	25.85	15.22	13.80	32.70	20.75	15.50
Second Quarter	35.70	22.50	16.98	31.65	18.84	15.00	30.40	21.60	15.60
Third Quarter		24.50	17.10		19.90	13.50		23.85	14.58
Fourth Quarter		26.95	16.92		22.25	14.00		26.45	15.16

The market capitalization of ALI as of June 30, 2013, based on the closing price of ₱30.40.00/share, was ₱430.85 billion. ALI's closing price as of July 8, 2013 was ₱29.00 which translates to a market capitalization of ₱411billion.

Stockholders

The following are the top 20 direct holders of the common and preferred shares of the Company:

Common Shares: *There are approximately 9,997 holders of common equity security of the Company as of June 30, 2013.*

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
1.	Ayala Corporation	6,934,509,515	48.9287%
2.	PCD Nominee Corporation (Non-Filipino)	5,554,073,612	39.1886%%
3.	PCD Nominee Corporation (Filipino)	1,385,734,725	9.7775%
4.	ESOWN Administrator 2012	18,052,097	0.1273%
5.	ESOWN Administrator 2009	17,666,145	0.1246%
6.	ESOWN Administrator 2010	15,139,024	0.1068%
7.	ESOWN Administrator 2013	12,950,339	0.0913%
8.	ESOWN Administrator 2011	11,952,006	0.0843%
9.	ESOWN Administrator 2006	8,078,676	0.0570%
10.	ESOWN Administrator 2008	7,284,965	0.0514%
11.	Jose Luis Gerardo Yulo	6,783,948	0.0478%
12.	ESOWN Administrator 2005	5,909,909	0.0416%
13.	Estrellita B. Yulo	5,732,823	0.0404%
14.	Pan Malayan Management and Investment Corp.	4,002,748	0.0282%
15.	ESOWN Administrator 2009	3,759,387	0.0265%
16.	Ma. Angelica Y. La o'	3,728,620	0.0263%

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
17.	Vincent Y. Tan	3,689,203	0.0260%
18.	Ma. Lourdes G. Latonio	3,624,650	0.0255%
19.	ESOWN Administrator 2007	3,574,036	0.0252%
20.	Lucio W. Yan	3,483,871	0.0245%

Voting Preferred Shares:

There are approximately 2,731 holders of voting preferred shares of the Company as of June 30, 2013.

	Stockholder Name	No. of Voting Preferred Shares	Percentage (of Voting Preferred Shares)
1.	Ayala Corporation	12,163,180,640	93.0868%
2.	HSBC Manila OBO A/C 000-171512-554	513,222,800	3.9278%
3.	Government Service Insurance System	156,350,871	1.1966%
4.	HSBC Manila OBO A/C 000-171512-571	15,051,000	0.1152%
5.	DB MLA OBO SSBTC Fund HG16	15,000,000	0.1147%
6.	Wealth Securities, Inc.	14,825,373	0.1135%
7.	DB MLA OBO SSBTC Fund SS01	13,670,744	0.1046%
8.	Samuel Villes Santos and/or Luzviminda Lat Santos	12,001,800	0.0918%
9.	DB MLA OBO SSBTC Fund C021	8,497,223	0.0650%
10.	Investors Securities, Inc.	6,251,770	0.0478%
11.	First Metro Securities Brokerage Corp.	5,103,853	0.0391%
12.	HSBC Manila OBO A/C 000-171512-551	4,484,748	0.0343%
13.	DB MLA OBO SSBTC Fund FA20	3,951,800	0.0302%
14.	Deutsche Regis Partners, Inc.	3,896,157	0.0298%
15.	Papa Securities Corporation	3,536,538	0.0271%
16.	DB MLA OBO SSBTC Fund FA2N	3,534,608	0.0270%
17.	Maybank ATR Kim Eng Securities, Inc.	3,479,514	0.0266%
18.	Ansaldo, Godinez & Co. Inc.	3,388,848	0.0259%
19.	HSBC Manila OBO A/C 000-596528-552	3,239,600	0.0247%
20.	Belson Securities, Inc.	2,800,874	0.0214%

Dividends

STOCK DIVIDEND (Per Share)			
PERCENT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
20%	February 1, 2007	May 22, 2007	June 18, 2007

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.045	June 1, 2010	June 30, 2010	July 23, 2010
0.048	November 30, 2010	December 14, 2010	January 11, 2011
0.0733	Feb. 24, 2011	March 23, 2011	April 15, 2011
0.0733	Aug. 26, 2011	Sept. 20, 2011	Oct. 5, 2011

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.109488	February 20, 2012	March 7, 2012	March 27, 2012
0.103852	Aug. 24, 2012	September 17, 2012	October 08, 2012
0.14787806	Feb. 19, 2013	March 5, 2013	March 19, 2013

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Special cash dividends are declared depending on the availability of cash, taking into account the Company's capital expenditure and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

Recent Sale of Securities

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the Executive Stock Option Plan (ESOP) and the subscription to the common shares under the Executive Stock Ownership Plan (ESOWN) as follows:

Year	No. of Shares	
	ESOP (exercised)	ESOWN (subscribed)
2010	7.4 Million	25.2 Million
2011	3.2 Million	14.8 Million
2012	6.6 Million	25.2 Million
2013*	2.7 Million	18.6 Million

** January to June 2013*

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

On June 29, 2012, the SEC approved the Company's application for an increase in authorized capital stock from ₱21.5B to ₱22.8B to cover the offering and issuance of new 13.034 Billion Voting Preferred Shares to the common shareholders of the Company. The said issuance of the shares is an exempt transaction under Section 10.1 (e) of the SRC, "The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock."

On July 16, 2012, the Company completed a placement of 680,000,000 common shares at ₱20 per share or an aggregate of ₱13.6 billion. The placement price of ₱20 per share was at a 4.988% discount to the Company's closing price of ₱21.05 per common share on July 10, 2012. Goldman Sachs (Singapore) Pte. J.P. Morgan and UBS Investment Bank acted as Joint Bookrunners and Placement Agents, BPI Capital Corporation as Sole Domestic Coordinator and Bookrunner and CLSA Limited as Co-Manager.

The Company had filed a Notice of Exemption with the SEC for the issuance of the 680,000,000 common shares under the following provisions of the SRC:

SRC Subsection 10.1 (h), "Broker's transaction, executed upon customer's orders, on any registered Exchange or other trading market."

SRC Subsection 10.1 (k), "The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period."

SRC Subsection 10.1 (l), "The sale of securities to banks, insurance companies, and investment companies."

On March 6, 2013, the Company completed a placement of 399,528,229 Ayala Land common shares at a price of ₱30.50 per share, equivalent to a 3.6% discount on the 5-day volume-weighted average price of the Ayala Land stock, raising an aggregate of about ₱12.2 billion in proceeds. UBS Investment Bank acted as Sole Bookrunner and Placement Agent. In connection with the placement, Ayala Corporation exercised its option to purchase the Company's 79,528,229 treasury shares on May 30, 2013, subject to the approval by the Securities and Exchange Commission of the Company's Amended Articles of Incorporation to exempt the sale of treasury shares from the stockholders' pre-emptive rights.

The July 2012 and March 2013 placements were conducted via an overnight bookbuilt offering structured as a top-up placement wherein all proceeds were received by the Company. Ayala Corporation assisted in facilitating the offering by lending its shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plan of Operations

Ayala Land's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company.

Principles of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land and the following wholly owned and majority owned subsidiaries as of March 31, 2013:

	Effective Ownership (%)
Real Estate:	
Alveo Land Corporation (Alveo)	100
Serendra, Inc.	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	65
BG South Properties, Inc. (BGS)	50
Serendra, Inc.	28
Amorsedia Development Corporation and Subsidiaries	100
OLC Development Corporation and Subsidiary	100
HLC Development Corporation	100
Allysonia International Ltd.	100
Avida Land Corporation and Subsidiaries (Avida)	100
Buklod Bahayan Realty and Development Corp.	100
Avida Sales Corp.	100
Amicassa Process Solutions Inc.	100
Avencosouth Corp. (Avencosouth)	70
BG North Properties, Inc. (BGN)	50
Amaia Land Corporation (Amaia)	100
Ayala Land International Sales, Inc. (ALISI)	100
Ayalaland International Marketing, Inc. (AIMI)	100
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
BellaVita Land Corporation	100
Crans Montana Holdings Corp.	100
Crimson Field Enterprises, Inc.	100
Ecoholdings Company, Inc. (ECI)	100
NorthBeacon Commercial Corporation (NBCC)	100
Red Creek Properties, Inc.	100
Regent Time International, Limited (Regent) (British Virgin Islands)	100
Asterion Technopod, Inc. (ATI)	100
Crestview E-Office Corporation (CeOC)	100
Gisborne Property Holdings, Inc.	100
Hillsford Property Corporation (HPC)	100

Primavera Towncentre, Inc. (PTI)	100
Summerhill E-Office Corporation (Summerhill)	100
Sunnyfield E-Office Corporation (Sunnyfield)	100
Subic Bay Town Centre, Inc.	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	100
Ayala Land Commercial REIT, Inc. (ALCRI)	100
Arvo Commercial Corp. (Arvo)	100
BellaVita Land Corporation	100
Nuevo Centro, Inc.	100
Cavite Commercial Town Center, Inc.	100
ALI Property Planners Corp. (APPCo)	68
One Dela Rosa Property Development, Inc.	68
First Gateway Real Estate Corp.	68
Glensworth Development, Inc. (Glensworth)	68
UP North Property Holdings, Inc.	68
Laguna Technopark, Inc.	75
Ecozone Power Management, Inc.	75
Aurora Properties Incorporated	70
Vesta Property Holdings, Inc. (VPHI)	70
Station Square East Commercial Corporation (SSECC)	69
Asian I-Office Properties, Inc. (AiO)	60
Accendo Commercial Corp.	67
Avencosouth Corp.	20
Cagayan de Oro Gateway Corp. (CDOGCC)	70
Ceci Realty, Inc.	60
CMPI Holdings, Inc.	60
CMPI Land, Inc.	36
ALI-CII Development Corporation (ALI-CII)	50
Roxas Land Corporation (RLC)	50
Adauge Commercial Corporation (Adauge)	100
Southgateway Development Corporation (SDC)	100
Ayalaland Metronorth, Inc. (AMNI)	100
Alabang Commercial Corporation	100
North Triangle Depot Commercial Corporation (NTDCC)	49
BG West Properties, Inc. (BGW)	50
Cebu Holdings, Inc. (CHI)	50
Cebu Property Ventures & Development Corporation (CPVDC)	76
Cebu Leisure Company, Inc.	100
CBP Theatre Management, Inc.	100
Cebu Insular Hotel Company Inc.	37
Solinea Inc.	35
Construction:	
Makati Development Corporation and Subsidiaries (MDC)	100
MDC – Subic	100
MDC – Build Plus, Inc.	100
Hotels and Resorts:	
Ayala Hotels, Inc. (AHI)	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	100

ALI Makati Hotel & Residences, Inc. (AMHRI)	80
ALI Makati Hotel Property, Inc. (AMHPI)	80
Enjay Hotels, Inc. (Enjay)	100
Greenhaven Property Venture, Inc. (GPVI)	100
Cebu Insular Hotel Company, Inc. (CIHCI)	63
Bonifacio Hotel Ventures, Inc.	100
Southcrest Hotel Ventures, Inc.	67
Northgate Hotel Ventures, Inc.	70
North Triangle Hotel Ventures, Inc.	100
Ecosouth Hotel Ventures, Inc.	100
ALI Makati Hotels & Residences, Inc.	20
ALI Makati Hotel Property, Inc.	20
Ten Knots Phils., Inc. and Subsidiary (TKPI)	60
Ten Knots Development, Corp. and Subsidiaries (TKDC)	60
Property Management:	
Ayala Property Management Corporation (APMC)	100
Ayala Theatres Management, Inc. and Subsidiaries	100
Entertainment:	
Five Star Cinema. Inc.	100
Leisure and Allied Industries, Philippines, Inc. (LAIP)	50
Others:	
MZM Holdings, Inc. (MZM)	100
ALInet.com, Inc. (ALInet)	100
First Longfield Investments Limited (First Longfield) (Hongkong Company)	100
Green Horizons Holdings Limited	100
Food Court Company, Inc.	100
Aprisa Business Process Solutions, Inc.	100
Studio Ventures, Inc.	100
Directpower Services, Inc.	100
Philippine Integrated Energy Solutions, Inc.	60
Varejo Corp. (Varejo)	100

Results of Operations for the three-month ending to March 31, 2013

Ayala Land, Inc. (ALI or "the Company") sustained its growth trajectory in the first quarter of 2013 as net income grew by 30% to ₱2.76 billion from the ₱2.13 billion posted in the same period last year. Consolidated revenues for the first quarter reached P18.53 billion, 38% higher than the ₱13.39 billion posted in the same period last year. Revenues from Real Estate and Hotels increased by 40% to ₱17.94 billion, comprising bulk of consolidated revenues, largely due to the strong performance across all business lines.

The ratio of corporate General and Administrative Expenses (GAE) to revenues declined further to 7.1% from 7.5% last year. Earnings before interest and taxes (EBIT) was maintained at 30% for the first three months of 2013.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development

Property Development, which includes the sale of residential lots and units, as well as the sale of commercial and industrial lots, posted revenues of ₱12.11 billion in the first three months of 2013, 56% higher than the ₱7.75 billion reported during the same period in 2012.

Revenues from the residential segment reached ₱8.01 billion in the first three months, 17% higher than the same period last year, on the back of a 33% improvement in the value of bookings across the residential brands. Ayala Land Premier (ALP) posted a revenue growth of 7% year-on-year to ₱2.65 billion, due to the steady completion and significant bookings from the high-value condominium units in Garden Towers and Park Terraces in Makati City and Park Point Residences in Cebu.Alveo meanwhile generated ₱2.10 billion in revenues, 19% higher compared with the first quarter of 2012, with additional bookings generated from Kasa Luntian, Mirala, Kroma and Escala projects. Avida and Amaia likewise recorded revenue growth of 56% and 47% to ₱2.66 billion and ₱378 million, respectively. Avida's performance was driven by strong bookings from the success of recent launches such as Avida Centera Towers 3 & 4, Avida Riala Tower 2, Avida Prime Taft Towers 1 & 2 and increased sales in Avida Parkway Settings Nuvali. For Amaia, revenues were largely contributed by strong bookings from Amaia Skies Cubao Towers 1 & 2, Amaia Scapes Novaliches, Amaia Skies Avenida, Amaia Steps Bicutan, Amaia Scapes Cavite and Amaia Scapes Lipa .

Sales take-up value for the first three months of the year reached ₱19.2 billion, equivalent to an average monthly sales take-up of ₱6.4 billion. This is comparable to the record ₱6.5 billion average monthly sales take-up achieved for the whole of 2012. Residential Gross Profit (GP) margins of horizontal projects fell to 43% from 47% due to the increasing share of broad market products, while GP margins of vertical developments improved to 36% from 33%, owing to the cost-containment efforts implemented across the group. The Company's four residential brands launched a total of 4,010 units in the first quarter of 2013, with a total sales value of ₱10.1 billion.

Revenues from the sale of commercial and industrial lots increased by 348% in the first three months to ₱4.10 billion driven by the sale of commercial lots in the Arca South property (Food Terminal Inc). GP margins however fell to 35% from 56% due to higher costs associated with the Arca South parcel.

**2012 figures restated to make values comparable to 2013 numbers, which consolidate the following subsidiaries: BG West Properties, Inc., BG North Properties, Inc, BG South Properties, Inc., Cebu Holdings, Inc., North Triangle Depot Commercial Corporation and Alabang Commercial Corporation.*

Commercial Leasing

Commercial Leasing includes the Company's Shopping Center and Office leasing operations. Total revenues for Commercial Leasing amounted to ₱4.43 billion during the first three months of 2013, 23% higher than the ₱3.61 billion recorded in same period last year.

Revenues from Shopping Centers rose by 7% to ₱2.44 billion during the first three months of 2013 from ₱2.28 billion in the first quarter of 2012. The first quarter saw a marginal decline in monthly average lease rates from ₱1,114 per square meter in 2012 to ₱1,108 per square meter in 2013, brought about by the opening of new provincial malls. Occupied gross leasable area (GLA) was up by 6.9% year-on-year, while same-store sales increased by 6% for building leases and a 0.4% growth for land leases. Shopping Centers EBITDA margins were maintained at 60% with the improved portfolio performance and the effective management of direct operating expenses despite the continuing impact of redevelopment projects in Ayala Center Makati and Cebu.

Revenues from Office leasing operations increased by 13% to ₱775 million for the first three months of the year, from ₱688 million in the same period last year. The revenue growth was generated by higher lease rates and occupied GLA for business process outsourcing (BPO) office spaces, which increased by 10% year-on-year. Total occupied BPO GLA expanded to 372,791 square meters as of the end of the first quarter, with an average lease-out rate of 90%. Average BPO lease rates increased by 6% year-on-year due to rental escalations in existing buildings. EBITDA margins of the total office portfolio increased to 79% from 78% as a result of improved occupancy and higher lease rates.

Hotels and Resorts

Hotels and Resorts currently operates 946 internationally branded hotel rooms in Hotel InterContinental Manila, Cebu City Marriott, Fairmont Hotel and Raffles Makati, 192 island resort rooms in Lagen, Miniloc, Apulit and Pangulasian Island in the province of Palawan and 329 Seda Hotel rooms between Bonifacio Global City and Centrio Cagyan de Oro. Revenues of the Hotels and Resorts business grew by 86% to ₱1.21 billion in the first quarter of 2013 from ₱650 million in the same period last year largely due to the opening of new hotels and resorts. REVPAR for Hotels was at ₱3,396 while REVPAR for resorts was at ₱6,989 with the addition of 42 new villas in Pangulasian, El Nido. EBITDA margins for Hotels and Resorts decreased to 24% from 30% owing to larger operating costs with the addition of new rooms. In April, the Company unveiled the doors of its latest hotel developments, the Holiday Inn & Suites Makati and Seda Davao. Another Seda hotel is currently under construction in Nuvali, which is expected to begin operations by 2014.

Services

Services, which include the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of ₱4.64 billion during the first three months of the year, 9% higher than the ₱4.25 billion posted in the same period last year. Construction revenues grew by 10% to ₱4.34 billion due to the higher construction order book from ALI Group projects. Property Management revenues also improved by 3% to ₱306 million in the first quarter of 2013 from additional property management contracts. Blended EBITDA margins for Services improved to 7% from 6% last year.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees dropped by 62% to ₱69 million for the first three months of 2013, from ₱181 million in the same period last year. This resulted from the deliberate decision not to sell Fort Bonifacio Development Corporation (FBDC) commercial lots. Meanwhile, Interest, Investment and Other income grew by 67% to ₱519 million largely due to the consolidation of ALI Makati Hotel & Residences, Inc. (AMHRI) and ALI Makati Hotel Property, Inc. (AMHPI) to AyalaLand Hotels and Resorts Corporation (AHRC), coupled with foreign exchange and money market placement gains.

Expenses

Total expenses for January to March 2013 amounted to ₱14.07 billion, 43% more than the ₱9.84 billion incurred as of end-March 2012. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 41% year-on-year amounting to ₱11.73 billion. GAE grew by 30% to ₱1.31 billion due to the consolidation of AMHRI and AMHPIcoupled with compensation-related expenses, but notably at a slower pace relative to overall revenue growth, allowing the GAE-to-revenue ratio to decline to 7.1% from 7.5% last year. Interest Expense, Financing and Other Charges meanwhile increased by 92% year-on year to ₱1.03 billion due to higher level of borrowings to finance the Company's expansion plans. The average cost of the Company's consolidated debt decreased to 5.4% in the first quarter this year from 5.7% in the same period last year.

Project and Capital Expenditure

The Company spent a total of ₱10.3 billion for project and capital expenditures in the first three months of 2013, 29% more than the ₱8.0 billion spent during the same period in 2012. The bulk of capital expenditures in the first quarter were spent on residential developments (40% of total), land acquisition (22%), shopping centers (21%), hotels and resorts (5%), with the balance spent on BPO offices and other land development activities in the Company's strategic landbank areas. The ₱10.3 billion spent in the first three months represents 16% of the programmed spending for the year. The Company's target is to spend ₱65.7 billion in 2013 for the continued rollout of its aggressive growth plans.

Financial Condition

The Company's balance sheet continued to be strong with adequate capacity to carry out its growth plans for 2013 and beyond. Cash and Cash Equivalents stood at ₱40.20 billion with a Current Ratio of 1.35: 1. Total Borrowings stood at ₱73.81 billion from P74.78 billion as of December last year, translating to a Debt-to-Equity Ratio of 0.80: 1 and a Net Debt-to-Equity Ratio of 0.36: 1.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End March 2013	*End December 2012 (As restated per PFRS10)*
Current ratio [1]	*1.35:1*	*1.32:1*
Debt-to-equity ratio [2]	*0.80:1*	*0.91:1*
Net debt(cash)-to-equity ratio [3]	*0.36:1*	*0.48:1*
Profitability Ratios:		
Return on assets [4]	*4.0%*	*4.9%*
Return on equity [5]	*12.0%*	*12.6%*
Asset to Equity Ratio[6]	*3.12:1*	*3.14:1*
Interest Rate Coverage Ratio[7]	*5.5*	*5.9*

[1] *Current assets / current liabilities*

[2] Total debt / stockholders' equity attributable to parent (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
[3] Net debt / stockholders' equity attributable to parent net of unrealized gain on AFS (Net debt is total debt less cash and cash equivalents, short-term investments and financial assets through FVPL))
[4] Net income attributable to parent / average total assets
[5] Net income attributable to parent / average total stockholders' equity
[6] Total assets / total stockholders' equity attributable to parent
[7] EBITDA / interest expense

End December 2012
[4] Total net income / average total assets
[5] Total net income / average total stockholders' equity

Material changes (+/- 5% or more) in the financial statements

Income Statement Items – March 31, 2013 versus March 31, 2012

39% increase in real estate and hotel revenues
Mainly due to higher sales bookings, incremental completion of residential projects and opening of new hotels.

62% decrease in equity in net earnings of investees
Largely due to the deliberate move to conserve FBDC and Nuvali commercial lots.

61% increase in interest, fees and investment income
Mainly due to AHRC gains from foreign exchange and money market placements.

100% increase in other income
Primarily driven by higher management fees.

41% increase in real estate and hotel costs
Largely due to higher real estate revenues and start up costs for new hotels.

30% increase in general and administrative expenses
Primarily due to the consolidation of AMHRI and AMHPI to AHRC and payroll related expenses.

92% increase in interest expense, financing and other charges
Largely due to increased borrowings for various capital expenditures.

40% increase in provision for income tax
Mainly due to higher taxable income.

17% decrease in net income attributable to non-controlling interests
Primarily due to fewer lots sold by VPHI.

Balance Sheet Items – March 31, 2013 versus December 31, 2012

20% increase in cash and cash equivalents
Mainly due to higher collection of receivables and gains from money market placements.

5% decrease in financials assets at fair value through profit or loss
Largely due to lower investments in Arch Capital.

37% increase in accounts and notes receivables (net)
Largely due to additional bookings from residential projects.

29% increase in other current assets
Mainly due to higher creditable withholding tax and prepayments.

6% increase in available-for-sale financial assets
Primarily due to new investments of ALI parent in ACCI and BPI Capital.

6% increase in investment properties
Mainly due to Ayala Center redevelopment.

51% increase in deferred tax assets
Primarily due to MDC's higher deferred tax assets on increased residential projects and PAS 19 adjustment on retirement benefit. .

18% decrease in other non-current assets
Largely due to decreased bill and other deposits.

23% increase in account and other payables
Mainly due to higher payable to suppliers and taxes payable.

9% increase in short-term debt
Mainly due to bank loan availments of ALI parent, Alveo, Avida and VPHI.

35% increase in current portion of long-term debt
Primarily related to ALI parent bonds and bank loans of Avida.

5% decrease in other current liabilities
Largely due to lower deposits in residential projects.

7% decrease in long-term debt (net of current portion)
Mainly due to ALI parent fixed rate bond issuances.

798% increase in pension liabilities
Primarily due to restatement of 2012 pension liability per PAS19 – employee benefits.

196% increase in deferred tax liabilities
Mainly due to consolidation of BGS and BGN per PFRS10.

30% increase in deposits and other non-current liabilities
Largely due to higher deposits from residential customers and MDC's increased retention payable.

24% increase in paid up capital
Primarily due to issuance of Ayala Corporation common shares.

358% decrease in unrealized gain (loss) on available-for-sale financial assets
Mainly due to increase in market value of Ayala Corporation preferred shares and sale of fixed income securities.

61% decrease in treasury stock
Largely due to the redemption of 13 billion outstanding non-voting preferred shares amounting to ₱1.3 billion.

Results of Operations for the year ending to December 31, 2012

Ayala Land, Inc. ("ALI" or "the Company") posted a record ₱9.04 billion in net income for the year 2012, 27% higher than the ₱7.14 billion recorded the previous year. Consolidated revenues reached ₱54.52 billion, 23% higher year-on-year. Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 21% to ₱49.90 billion primarily driven by the robust performance of the Property Development business.

Margins of the Company's key business lines continued to improve with strict control of project costs and direct operating expenses (discussed below in the Business Segment review). Corporate costs remain under control with the ratio of General and Administrative Expenses (GAE) to revenues maintained at 8% for two consecutive years. With total revenue growth outpacing the growth of total expenses, net income margin before non-controlling interest improved to 19% in 2012 from 18% the previous year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development

Property Development, which includes the sale of residential units, commercial and industrial lots, registered revenues of ₱33.19 billion in 2012, 31% higher than the ₱25.26 billion recorded in 2011.

Revenues from the residential business reached ₱30.88 billion in 2012, 29% higher than the ₱23.99 billion reported the previous year, driven by higher bookings, steady project launches and continuous progress on construction across all residential brands. Ayala Land Premier (ALP) generated ₱10.39 billion in revenues or an improvement of 9% year-on-year on the back of increased bookings in projects namely Park Terraces Makati, The Suites Bonifacio Global City (BGC) and Elaro in NUVALI. Alveo and Avida also registered year-on-year revenue growth of 29% and 37% to ₱7.52 billion and ₱8.29 billion, respectively, following the strong sales and bookings of newly-launched projects such as The Maridien Towers (BGC), Solinea Towers 1 and 2 (Cebu), Kasa Luntian Phase 1 (Tagaytay), Lerato (Makati), and Vesta in NUVALI for Alveo, and Avida Towers Centera 1-3 (Mandaluyong City), Avida 34th Street Tower 1 (BGC), Avida Cityflex Tower 2 (BGC), Avida Parkway Settings (NUVALI), Avida Settings Cavite, Avida Village NUVALI, Avida Ridgeview Estates NUVALI, Avida Cebu Tower 2, Avida Alabang Tower 2, Avida New Manila Tower 5 and Avida San Lorenzo Tower 2. Residential brand Amaia, catering to the economic housing segment, significantly increased its contribution to residential revenues in 2012 as it generated ₱1.55 billion, 85% higher than the ₱841 million earned in 2011, primarily from the strong performance of Amaia Scapes Bacolod and Cabanatuan and newly-launched projects in Cavite, Lipa, Novaliches, Cubao, Sta. Mesa and Avenida.

Sales take-up value in 2012 reached ₱77.61 billion, equivalent to an average monthly sales take-up of ₱6.47 billion that is 50% higher than the ₱4.31 billion average monthly sales take-up achieved the previous year. Residential gross profit (GP) margins of vertical projects improved to 35% from 33% with the impact of various cost control initiatives to lower project construction costs, while GP margins of horizontal developments declined slightly to 45% from 46% due to a shift in mix towards more house and lot packages rather than the sale of lots. The Company's four residential brands, together with fifth brand BellaVita that caters to the socialized housing segment, launched a total of 23,487 units in 2012. For 2013, the Company is anticipating continued demand for residential products and will be launching around 31,000 units across all residential brands.

Revenues from the sale of commercial and industrial lots grew by 81% in 2012 to ₱2.31 billion, largely due to the sale of 25 commercial lots in NUVALI. However, GP margins dropped to 50% from 54% as the institutional raw land sale in NUVALI carried a lower margin.

Commercial Leasing

Commercial Leasing includes the Company's Shopping Center and Office Leasing operations. Total revenues for Commercial Leasing amounted to ₱8.78 billion in 2012, 18% higher than the ₱7.46 billion recorded the previous year.

Revenues from Shopping Centers increased by 18% to ₱5.85 billion in 2012, driven by higher average lease rates and expanded gross leasable area (GLA). Average lease rates rose in 2012 by 3% brought about by negotiated and programmed rental escalations. The retail environment remained buoyant as same-store sales for building and land leases increased by 6% and 12%, respectively. The opening of Harbor Point Mall in Subic, Centrio Mall in Cagayan de Oro and the New Glorietta, resulted in an 8% expansion in occupied GLA. The earnings before interest, taxes, depreciation and amortization (EBITDA) margin of shopping centers increased to 62% from 60% the previous year due to improved mall operations and effective management of direct operating expenses. Average occupancy rate across all malls slightly dropped to 94% compared with 96% in 2011 due to the additional GLA from newly-opened malls.

Revenues from Office leasing operations rose by 18% to ₱2.94 billion in 2012 from ₱2.50 billion the previous year. Revenue growth was attained due to higher lease rates and occupied GLA of business process outsourcing (BPO) office spaces, which grew by 19% year-on-year (an increase of 56,161 square meters). Total occupied BPO GLA reached 354,822 square meters as of year-end, while average BPO lease rates remained steady at ₱589 per square meter. This was achieved despite a change in the portfolio mix as some of the increase in occupied GLA were in provincial (and therefore lower rent) locations. The improvement in occupied BPO space accounted for the two percentage-point improvement in the EBITDA margin of the total office portfolio, which reached 82% in 2012.

Hotels and Resorts

Revenues of the Company's Hotels and Resorts business improved by 9% to ₱2.45 billion in 2012. This is attributed to a 4% improvement in revenues per available room (REVPAR) for the hotel portfolio and a 30% improvement in REVPAR for the El Nido chain of resorts. A total of 42 island resort rooms in Pangulasian Island augmented the existing 150 leisure accommodations in the El Nido resort in Palawan, while Fairmont and Raffles Hotel in Makati added 312 rooms, and Seda Hotel BGC and Seda Hotel Cagayan de Oro added 179 rooms and 150 rooms, respectively. The Hotels and Resorts portfolio now operates a total of 1,467 hotel rooms including premium brands Hotel InterContinental Manila and Cebu City Marriott. EBITDA margins for Hotels and Resorts however declined to 15% from 29% due to pre-operating costs of the newly-opened facilities. The Company is set to unveil a new Holiday Inn & Suites hotel in Makati by the second quarter of 2013 and two more Seda hotels, in Davao and NUVALI, by the end of 2013 which collectively will add another 647 rooms to the total inventory.

Services

Services, comprised of the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of ₱5.48 billion in 2012. This was 13% lower than the ₱6.26 billion posted in 2011 following Makati Development Corporation's deliberate move to focus on Ayala Land projects. Only revenues from third-party contracts, or the revenue from third-party minority interests in Ayala Land projects, are reflected as construction revenues in consolidated Company accounts. Before inter-company eliminations, construction revenues actually increased by 40% to ₱19.24 billion compared to ₱13.77 billion in 2011, while Property Management revenues grew 16% to ₱1.29 billion in 2012 due to higher carpark revenues, compared with ₱1.11 billion the previous year. The blended EBITDA margin for Services declined by one percentage-point to 7%, due to lower margins from internal contracts.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees rose by 48% to ₱1.33 billion in 2012 from ₱899 million the previous year, mainly as a result of higher contributions from the projects of BG West Properties Inc., BG South Properties Inc. and BG North Properties Inc., joint venture companies for the residential condominium projects of ALP, Alveo and Avida in BGC. Interest, Investment and Other Income meanwhile grew by 58% to ₱3.29 billion in 2012 compared with the ₱2.08 billion the previous year. The increase was accounted for mostly by higher average cash balance, increase in management fees and the accretion of interest income from the sale of ₱4.31 billion worth of receivables.

Expenses

Total expenses amounted to ₱41.30 billion in 2012, 23% more than the ₱33.50 billion incurred in 2011. Cost of Sales from Real Estate, which accounted for the bulk of expenses, rose 20% year-on-year to ₱33.44 billion. GAE meanwhile grew by 28% to ₱4.44 billion, partly because of the increase in manpower-related expenses for the new hotels and resorts facilities. Nevertheless, GAE-to-revenue ratio remained at 8% in 2012. Interest Expense, Financing and Other Charges increased by 65% year-on year to ₱3.42 billion, mostly due to higher financing charges related to the sale of receivables and additional borrowings. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 5.4%, from 6.3% in 2011.

Project and Capital Expenditure

The Company spent a record high of ₱71.29 billion in capital expenditures in 2012, 138% more than the ₱29.91 billion spent the previous year. Residential development accounted for 23% of the total, while 57% was spent for land acquisition, which includes ₱22.6 billion initial payment made in November for the 74-hectare Food Terminal Inc. property located in Taguig City. Shopping centers, hotels and resorts, offices and other land development activities accounted for the balance of 10%, 7%, 2% and 1%, respectively. For 2013, the Company has allotted another ₱65.5 billion for capital expenditures primarily earmarked for the completion of ongoing developments and launches of new residential and leasing projects, which will help sustain the

Company's growth trajectory over the coming years. The total value of the 69 projects that are expected to be launched this year is estimated to be at around ₽129 billion.

Financial Condition

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the ₽3.0 billion notes and ₽15.0 billion bonds, as well as the ₽1.0 billion Homestarter Bond issued in 2012 brought Cash and Cash Equivalents to ₽28.60 billion. Current Ratio stood at 1.40: 1, with total borrowings at ₽69.45 billion as of December 2012. Debt-to-Equity Ratio was at 0.84: 1 while Net Debt-to-Equity Ratio increased to 0.49: 1. Return on equity increased one-percentage point year-on-year to 13% in 2012.

Key Financial Performance *Indicators*

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End 2012	*End 2011*
Current ratio [1]	*1.40:1*	*1.65:1*
Debt-to-equity ratio [2]	*0.84:1*	*0.55:1*
Net debt(cash)-to-equity ratio [3]	*0.49:1*	*0.15:1*
	2012	*FY 2011*
Return on assets [4]	*5.4%*	*5.9%*
Return on equity [5]	*12.6%*	*11.8%*

[1] Current assets / current liabilities
[2] Total debt (includes short-term debt, long-term debt and current portion of long term debt) / stockholders' equity attributable to equity holders of Ayala Land, Inc.
[3] Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.[4]Total Net income / average total assets
[5]Total Net income / average stockholders' equity

Material changes (+/- 5% or more) in the financial statements

Income Statement Items –2012 versus 2011

21% increase in real estate revenues
Mainly due to higher sales from newly launched residential projects such as Park Terraces, Abreeza Residences and Serendra West Tower of Ayala Land Premier and Centera Towers and Parkway Settings of Nuvali, and growth in leasing and hotel businesses.

64% increase in interest and investment income
Mainly due to one-off re-measurement gain of previously held equity interest in ALI Makati Hotels & Residences Inc. (AMHRI) and ALI Makati Hotel Property Inc. (AMHPI) and higher interest income.

48% increase in equity in net earnings of associates and jointly controlled entities
Largely due to higher contribution from BG North Inc., BG West Inc. and BG South Inc.

34% increase in other income
Mainly due to higher development management fees and foreign exchange gains.

20% increase in real estate costs and expenses
Mainly due to higher real estate revenues and consolidation of AMHRI and AMHPI.

28% increase in general and administrative expenses
Primarily due to higher payroll costs and start up costs for new hotels.

62% increase in interest expense and other financing charges
Mainly due to higher debt levels.

87% increase in other charges
Largely due to provisions for impairment.

10% increase in provision for income tax
Mainly due to higher taxable income for the period.

36% increase in net income attributable to non-controlling interests
Primarily due to higher income from NUVALI companies.

Balance Sheet Items – 2012 versus 2011

16% increase in cash and cash equivalents
Mainly proceeds from the issuance of new common shares and fixed rate bonds, sale of account receivables, increased collections and loan availments.

91% decrease in short-term investments
Primarily due to maturity of short-term investments.

Increase in financial assets at fair value through profit or loss and available-for-sale financial assets
Mainly due to reclassification of investment in Arch Capital Asian Partners L.P.

58% increase in accounts and notes receivables (net)
Largely due to launch of new residential projects and higher bookings.

10% increase in real estate inventories
Mainly due to incremental project completion of existing and new projects.

96% increase in other current assets
Mainly due to prepayments on Alveo and Avida land acquisitions.

42% increase in non-current accounts and notes receivables
Largely due to increased sales of Ayala Land Premier, Avida and higher bookings of Alveo projects.

36% decrease in available-for-sale financial assets
Largely due to sale of fixed income securities of ALI-Parent.

155% increase in land and improvements
Mainly due to acquisition of Food Terminal Inc. property.

20% increase in investment properties
Largely due to new projects such as Holiday Inn & Suites Makati, Seda Hotels, Centrio Mall and Ayala Center redevelopment.

207% increase in property and equipment
Mainly due to acquisition of AMHRI & AMHPI.

43% increase in other noncurrent assets
Mainly due to exploratory expenses and goodwill on hotel acquisition.

36% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of existing and new projects.

100% increase in short-term debt
Mainly due to new loan availment of ALI-Parent, Alveo, Avida and ALI Property Partners Corporation (APPCO).

297% increase in income tax payable
Primarily due to the higher taxable income.

310% increase in current portion of long-term debt
Primarily due to ALI-Parent bonds payable.

268% increase in other current liabilities
Mainly due to increase in customer deposits.

90% increase in long-term debt - net of current portion
Primarily due to new issuance of fixed rate bonds and higher interest expense.

27% decrease in pension liabilities
Primarily due to higher contribution of companies with ner liability position.

65% increase in deposits and other non-current liabilities
Primarily due to increase in customer and security deposits, and deferred income from projects.

14% increase in retained earnings
Mainly due to increase in income.

8% decrease in stock options outstanding
Primarily due to issuance of ESOP shares.

27% decrease in unrealized gain on available-for-sale financial assets
Primarily due to sale of fixed income securities, and lower revaluation on preferred shares of Ayala Corporation.

5% decrease in non-controlling interests in net assets of subsidiaries
Largely attributed to redemption of shares for APPCO, Accendo and AHI.

Review of 2011 Operations versus 2010

The Company posted a record consolidated net income of ₱8.09 billion for the year 2011, 29% higher than the ₱6.29 billion generated the previous year. Net of non-controlling interests, net income attributable to equity holders of Ayala Land, Inc. amounted to ₱7.14 billion, which was 31% higher than the ₱5.46 billion recorded in 2010. Consolidated revenues reached ₱44.21 billion, 17% higher year-on-year. Revenues from Real Estate and Hotels, which comprised bulk of consolidated revenues, increased by 16% to ₱41.23 billion with growth largely driven by the strong performance of the Property Development business.

Margins of the Company's key business lines continued to improve with strict control of project costs and direct operating expenses (discussed below in the Business Segment review). Corporate costs have also been contained, resulting to the drop in the ratio of General and Administrative Expenses (GAE) to revenues, from 8.4% in 2010 to 7.9% in 2011. With total revenues growing faster than total expenses, net income margin improved to 16% in 2011 from 14% the previous year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development

Property Development, which includes the sale of residential units, as well as the sale of commercial and industrial lots, posted revenues of ₱25.26 billion in 2011, 27% higher than the ₱19.85 billion reported in 2010.

Revenues from the residential segment reached ₱23.99 billion in 2011, 29% higher than the ₱18.60 billion reported the previous year, driven by the higher bookings and steady progress on construction across all residential brands. Ayala Land Premier (ALP) generated ₱9.51 billion in revenues or an improvement of 36% year-on-year on the back of a 35% growth in bookings and the construction progress in projects such as Park Terraces 1 and 2 in Makati City, and Santierra and Elaro in NUVALI. Alveo and Avida also posted year-on-year revenue growth of 15% and 44% to ₱5.83 and ₱6.06 billion, respectively, following the strong sales of newly-launched projects such as Sedona Parc (Cebu) and Venare (NUVALI) for Alveo, and Avida Towers Centera 1 and 2 (Mandaluyong City) and the second tower of Avida Towers Cebu. New residential brand Amaia further contributed to residential revenues in 2011 as it generated ₱841 million largely from the full year impact of its maiden project AmaiaScapes Laguna.

Sales take-up value in 2011 reached ₱51.72 billion, equivalent to an average monthly sales take-up of ₱4.31 billion and 56% higher than the ₱2.76 billion average monthly sales take-up achieved the previous year. Residential gross profit (GP) margins of vertical projects improved to 33% from 31% with the impact of various measures designed to lower project construction costs, while GP margins of horizontal developments declined slightly to 46% from 47% due to a shift in mix towards more house and lot packages rather than the sale of lots. The Company's four residential brands, together with fifth brand BellaVita that caters to the socialized housing segment, launched a total of 20,613 units in 2011. For 2012, the Company is anticipating continued demand for residential products and will be launching about 24,800 units across all residential brands.

Revenues from the sale of commercial and industrial lots grew by 2% in 2011 to ₱1.27 billion, largely due to the sale of 14 commercial lots in NUVALI. GP margins improved to 54% from 45% as the NUVALI commercial lots carried higher margins compared to the industrial lots in Laguna Technopark that were sold in 2010.

Commercial Leasing

Commercial Leasing includes the Company's Shopping Center and Office Leasing operations. Total revenues for Commercial Leasing amounted to ₱7.46 billion in 2011, 16% higher than the ₱6.45 billion recorded the previous year.

Revenues from Shopping Centers increased by 14% to ₱4.96 billion in 2011, driven by higher average occupancy and lease rates. Average occupancy rate across all malls reached 96% compared with 94% in 2010. The opening of Abreeza Mall in Davao City and Solenad 2 in NUVALI, coupled with the continued improvements in the occupancy of Market! Market! and MarQuee Mall, resulted in a 9% expansion in occupied gross leasable area (GLA). This more than offset the additional closures in Glorietta effected in early 2011 due to the Ayala Center redevelopment. Average lease rates also rose in 2011 by 7% brought about by negotiated and programmed rental escalations. The retail environment remained buoyant as same-store sales for all building and land leases increased by 5% and 3%, respectively. The EBITDA margin of Shopping Centers improved to 60% from 59% the previous year with the higher occupancy and lease rates across all malls and effective management of direct operating expenses.

Revenues from Office leasing operations rose by 19% to ₱2.50 billion in 2011 from ₱2.11 billion the previous year. The revenue growth was generated by the significant increase in occupied GLA of business process outsourcing (BPO) office spaces, which increased by 22% year-on-year (equivalent to 41,220 square meters). Total available BPO GLA reached 315,736 square meters as of year-end, while average BPO lease rates remained steady at ₱580 per square meter. This was achieved despite a change in the portfolio mix as most of the increase in occupied GLA occurred in provincial (and therefore lower rent) locations. The improvement in occupied BPO occupied space accounted for the one percentage-point improvement in the EBITDA margin of the total office portfolio, which reached 80% in 2011.

Hotels and Resorts

Revenues of the Company's Hotels and Resorts business improved by 18% to ₱2.24 billion in 2011. This was largely due to the impact of the consolidation of the El Nido Resorts operations in Palawan, through the acquisition of a 60% stake in the Ten Knots Group in April 2010. A total of 150 island resort rooms in Lagen, Miniloc and Apulit Island (formerly Club Noah) were added to the Hotels and Resorts portfolio that operates 634 hotel rooms between Hotel InterContinental Manila and Cebu City Marriott. EBITDA margins for Hotels and Resorts however declined to 29% from 33% with the start-up costs of Apulit Island resort and the pre-operating expenses of the upcoming Kukun hotels. The Company is currently constructing its first four owner-operated businessman's hotels under its own brand Kukun in Bonifacio Global City, Cagayan de Oro, Davao and NUVALI. The first two hotels are expected to begin operations this year.

Services

Services, comprised of the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of ₱6.26 billion in 2011. This was 13% lower than the ₱7.21 billion posted in 2010 following the Company's deliberate move to focus on internal projects in its construction operations. Only revenues from third-party contracts, or the revenue share of third-party minority interests in internal projects, are reflected as construction revenues in consolidated Company accounts. The decline in Construction revenues more than offset the 7% growth in Property Management revenues, which reached ₱1.11 billion in 2011 with the addition of new carpark management contracts, compared with ₱1.03 billion the previous year. Before inter-company eliminations, however, Construction revenues grew by 42% to ₱13.77 billion. The blended EBITDA margin for Services improved by one percentage-point to 8%.

The Company and Manila Water Company (MWC) entered into a joint venture (JV) Memorandum of Agreement on April 6, 2010 to establish a water utility services company which will manage and operate all water systems in Nuvali, as well as, adjacent projects of the Company in Laguna. The joint venture company has not been established as of December 31, 2011. A separate disclosure on project cost will be made as soon as negotiations are finalized. The target completion date is by end of 2012.

The Company has signed a 50-year lease agreement with the Subic Bay Metropolitan Authority (SBMA) on October 16, 2009, for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees declined by 1% to ₱899 million in 2011 from ₱906 million the previous year, as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at Bonifacio Global City. This was countered by the stronger performance of TriNoma, which is accounted for under the equity method, and the mark-to-market gains on the investment holdings of First Longfield Investments Ltd. (investment vehicle for ARCH Capital Partners L.P.). Interest, Investment and Other Income meanwhile increased by 38% to ₱2.08 billion in 2011 compared with the ₱1.50 billion the previous year. The increase was accounted for mostly by the higher interest income earned from higher average cash balances for the period and gains from the Company's divestment of its ownership stake in ARCH Capital Management Co., Ltd. in March 2011.

Expenses

Total expenses amounted to ₱33.50 billion in 2011, 12% more than the ₱29.95 billion incurred in the 2010. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 12% year-on-year amounting to ₱27.94 billion. General and administrative expenses (GAE) meanwhile grew by 9% to ₱3.48 billion, largely because of payroll-related expenses, but significantly slower than overall revenue growth thus allowing the GAE-to-revenue ratio to decline to 7.9% from 8.4% in 2010. Interest Expense, Financing and Other Charges increased by 14% year-on year to ₱2.08 billion, mostly due to higher interest charges with the additional ₱10.0 billion in fixed-rate corporate notes issued by the Company in January 2011. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 6.3%, from 7.5% in 2010.

Accrued expenses amounting to ₱4.3 billion consisted mainly of light and power, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, insurance and representation. The following is the breakdown of the accrued expenses:

Nature	Amount
Accrued Project Cost	437,815
Accrued Project Cost – Others	1,336,051
Accrued Expense – Repairs and Maintenance	353,949
Accrued Expense – Advertising and Promotions	157,506
Accrued Expense – Professional / Management Fees	136,950
Accrued Expense – Rental Expenses	111,910
Accrued Expense – Light and Water	103,693
Accrued Expense – Compensation and Benefits	50,499
Accrued Expense – Others	1,648,987
Total	**₱4,337,360**

Project and Capital Expenditure

The Company spent a record high of ₱29.91 billion for project and capital expenditures in 2011, 49% more than the ₱20.06 billion spent the previous year. Residential development accounted for 53% of the total, while 18% was spent for land acquisition. Shopping centers, hotels and resorts, other land development activities and BPO offices accounted for the balance of 14%, 6%, 5% and 4%, respectively. For 2012, the Company has earmarked another ₱37.0 billion for capital expenditures largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the acquisition of new landbank which will help sustain the Company's growth trajectory over the coming years.

Financial Condition

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the ₱10.0 billion notes issued at the start of 2011 brought Cash and Cash Equivalents to ₱24.60 billion, with a corresponding Current Ratio of 1.65: 1. Total Borrowings stood at ₱34.53 billion as of December 2011 from ₱20.97 billion the previous year, translating to a Debt-to-Equity Ratio of 0.55: 1 and a Net Debt-to-Equity Ratio of 0.16: 1.

Retained earnings amounting to ₱6.0 billion was appropriated for future expansion (see Note 20 of AFS). In the normal course of business of ALI, that represents continuing appropriation for land banking activities and planned building construction project. Each year ALI incurred residential capital expenditures for property development which includes among others land banking and building construction projects. The annual appropriation by ALI is being fully utilized to cover part of the annual expenditure requirement of the Company. In 2012, it is expected that the capital expenditure requirement will exceed the ₱6.0 billion appropriation, hence the Company will provide future appropriation as the need arises.

As of December 31, 2012, retained earnings available for dividend declaration adjusted amounts to ₱19.9 billion as stated in the audited financial statements. Subsequently, on February 19, 2013, the Company declared dividends at ₱0.14787806 per common share, payable on March 19, 2013 to stockholders of common shares as of record date on March 5, 2013. On the same date, BOD declared annual cash dividends of 4.74786% per annum amounting to ₱62.0 million or ₱0.00474786 per share to all shareholders of the Company's outstanding unlisted voting preferred shares with record date of June 14, 2013 and payment date of July 1, 2013.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End 2011	*End 2010*
Current ratio [1]	*1.65:1*	*1.67:1*
Debt-to-equity ratio [2]	*0.55:1*	*0.37:1*
Net debt(cash)-to-equity ratio [3]	*0.15:1*	*0.02:1*
	FY 2011	*FY 2010*
Return on assets [4]	*5.9%*	*5.5%*
Return on equity [5]	*11.8%*	*10.1%*

[1] *Current assets / current liabilities*
[2] *Total debt (includes short-term debt, long-term debt and current portion of long term debt) / stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[4] *Total Net income / average total assets*
[5] *Total Net income/ average stockholders' equity*

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2011.

Material changes (+/- 5% or more) in the financial statements

Income Statement Items – 2011 versus 2010

16% increase in real estate revenues
Mainly due to higher residential sales bookings, incremental project completion and sale of commercial lots in NUVALI.

18% increase in hotel revenues
Primarily due to impact of full year consolidation of El Nido Resorts operations in Palawan.

56% increase in interest and investment income
Largely due to higher income from money market placements and divestment of ownership stake in ARCH Capital Management Co., Ltd.

12% increase in real estate cost and 15% increase in hotel expenses
Mainly due to higher real estate revenues and consolidation of El Nido Resorts operations.

9% increase in general and administrative expenses

Primarily due to higher payroll costs and benefits.

22% increase in interest and financing expenses
Mainly due to higher debt levels.

30% decrease in other charges
Mainly due to lower provisions for bad debts and impairment

67% increase in provision for income tax
Mainly due to higher taxable income.

15% increase in net income attributable to minority interests
Primarily due to higher income from Ayala Property Partners Corp., Ceci Realty, Inc. and Vesta Property Holdings, Inc.

Balance Sheet Items – 2011 versus 2010

37% increase in cash and cash equivalents
Mainly due to additional borrowings and collections from new projects.

87% decrease in short-term investments
Primarily due to liquidation of short-term investments to fund property acquisition.

100% decrease in financial assets at fair value through profit or loss
Primarily due to maturity of fixed income securities.

31% increase in accounts and notes receivables (net)
Largely due to launch of new residential projects.

52% increase in real estate inventories
Mainly due to incremental project completion of existing and new projects.

49% increase in other current assets
Mainly due to higher prepaid expenses for commissions and marketing fees and increase in creditable withholding tax and value-added input tax following the acquisition of properties for development by Alveo Land and Avida Land.

50% increase in non-current accounts and notes receivables
Largely due to sale of new residential projects.

17% increase in land and improvements
Primarily due to acquisition of sites for new projects.

16% increase in investments in associates and jointly controlled entities
Mainly due to additional equity infusions in Regent Wise Investments Limited, First Longfield Investments and in newly established jointly controlled entities: BG West Properties, Inc., BG South Properties, Inc., and BG North Properties, Inc.

18% increase in investment properties (net)
Primarily due to completion of malls and office buildings.

29% increase in property and equipment
Largely due to purchases of AyalaLand Hotels and Resorts Corp., Phil. Energy and Accendo Commercial Corp., and modernization of Makati Development Corp.

6% decrease in deferred tax assets (net)
Mainly due to realization of gains on real estate sales.

8% increase in other non-current assets
Largely due to increase in construction guarantee and other deposits.

47% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of new projects.

61% increase in short-term debt
Mainly due to additional bank loans of ALI Parent.

149% increase in income tax payable
Primarily due to higher provisioning of Vesta Property Holdings, Inc., ALI Property Partners Corp., and Alveo Land.

33% decrease in current portion of long-term debt
Largely due to loan payments of ALI Parent.

45% decrease in other current liabilities
Mainly due to lower customer deposits from residential projects.

79% increase in long-term debt - net of current portion
Primarily due to fixed-rate corporate notes issued by ALI Parent.

16% decrease in pension liabilities
Mainly due to adjustments made to reflect latest actuarial valuation.

25% increase in deferred tax liabilities (net)
Mainly due to increase in deferred tax liabilities of Serendra, ALI Parent and Alveo Land.

19% increase in deposits and other noncurrent liabilities
Mainly due to security deposits of new shopping center tenants

13% increase in retained earnings
Primarily due to the increase in net income.

15% increase in stock options outstanding
Largely due to revaluation of unsubscribed ESOWN shares.

33% increase in unrealized gain on available-for-sale financial assets
Mainly due to revaluation of fixed income securities.

12% increase in noncontrolling interests
Primarily due to capital infusions to Solinea Inc., Cagayan de Oro Gateway Corp. and Phil. Energy of respective partners.

Review of 2010 Operations versus 2009

Results of Operations

Ayala Land posted a record ₱5.46 billion in net income for the year 2010, 35% higher than the ₱4.04 billion recorded the previous year. The Company's net income of ₱1.52 billion in the fourth quarter was also a new record for core quarterly earnings and was the 7th straight quarter of positive earnings growth.

Consolidated revenues in 2010 reached ₱37.81 billion, 24% higher year-on-year. Real Estate and Hotel revenues increased by 28% to ₱35.41 billion, with robust growth across all major business lines. Margins of the Company's residential, shopping center and corporate businesses continued to improve. Corporate cost control has also been improving with the continued drop in the ratio of General and Administrative Expenses ("GAE") to revenues, from 9% in 2009 to 8% in 2010. With total revenues growing faster than total expenses and the effective income tax rate steady at 20%, net income margin improved to 14% in 2010 from 13% the previous year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Residential Development

Residential revenues reached ₱16.64 billion in 2010, 16% higher than the ₱14.34 billion reported the previous year, as the combined value of bookings for all residential brands more than doubled to ₱24.00 billion. ALP generated revenues of ₱7.22 billion in 2010, up 10% year-on-year. ALP accounted for 43% of total residential revenues following the strong sales of Park Terraces (Makati) and Serendra West Tower (BGC) condominium units as well as Santierra lots in NUVALI. Alveo and Avida meanwhile also posted year-on-year revenue growth of 26% and 15%, respectively, with higher bookings from the success of new launches such as Meranti (BGC) and Venare (NUVALI) for Alveo and Avida Towers Cebu and Alabang for Avida. Together with newly launched fourth brand Amaia Land, the Company's four residential brands launched a total of 10,115 units in 2010, more than three times the number launched the previous year. This resulted in a strong sales take-up value of ₱33.14 billion in 2010, averaging nearly ₱2.8 billion of sales take-up every month. Residential Gross Profit (GP) margins of horizontal developments improved to 43% in 2010 from 41% the previous year, while GP margins of vertical projects improved to 28% from 26%. For 2011, the Company is anticipating continued demand for residential products and will be launching over 20,000 units across all residential brands with an estimated sales value of ₱57.0 billion.

Shopping Centers

Total revenues for shopping centers amounted to ₱4.60 billion in 2010, 3% higher than the previous year. This was driven by the 1% expansion in occupied GLA as the continued ramp-up of MarQuee Mall in Pampanga and the improved occupancy rate at Glorietta 5 more than offset the closure of Glorietta 1. The retail environment remained buoyant as same-store sales for all building and land leases increased by 7% year-on-year. The revenue impact of the higher average occupancy rates (which reached 94% for all malls, from 92% in 2009) however was tempered by a 2% decline in average rental rates due to product mix with lower per sqm building lease rates in MarQuee Mall and Glorietta 5 compared with what was previously achieved in Glorietta 1. Shopping Centers EBITDA margins improved slightly to 63% from 62% with an improved portfolio performance despite the continuing impact of the Ayala Center redevelopment. For 2011, the Company is set to start the operations of additional 126,000 sqm of GLA with the opening of Abreeza Mall in Davao and Harbor Point in Subic, among others. The Company will also launch a total of eight new projects across the country this year, adding add another 175,000 sqm of GLA to the portfolio over the next few years.

Corporate Business

Revenues from the Company's office building portfolio reached ₱2.40 billion in 2010, compared with ₱1.99 billion the previous year. The 21% improvement in office building revenues was generated by the significant increase in occupied BPO office GLA, which increased by 34% (equivalent to 48,725 sqm) year-on-year, as the outlook and demand for BPO space continue to improve. Total available BPO GLA has now reached 272,676 sqm with an occupancy rate of 70% (and an 88% lease-out rate) compared with 55% a year ago. Average BPO lease rates increased by 1% due to programmed escalations despite changes in the portfolio mix as most of the increase in occupancy in 2010 occurred in the Company's non-CBD locations, which carry lower average lease rates. The higher occupancy rate of the BPO portfolio mainly accounted for the improvement in EBITDA margins which increased from 62% to 68% in 2010. For 2011, the Company continues to see positive prospects for expansion within and outside Metro Manila and will begin the construction of additional 200,000 sqm of GLA. The Company will also start the operation of five new BPO buildings in 2011 in Baguio, NUVALI, Iloilo, Bacolod and Cebu totaling 55,000 sqm of GLA.

Strategic Landbank Management and Visayas-Mindanao

Revenues from the Strategic Landbank Management Group (SLMG) and the Visayas-Mindanao Group amounted to ₱3.15 billion in 2010, 34% higher than the previous year, largely due to overrides on the successful sales performance of Park Terraces in Makati and Santierra in NUVALI, as well as some commercial lot sales in NUVALI. GP margins likewise improved to 56% from 48% with significant bookings in higher-margin override units.

Other Businesses

Other Businesses, namely Construction, Property Management and Hotels, generated combined revenues (net of inter-company eliminations) of ₱8.86 billion in 2010, 79% higher than the ₱4.96 billion posted the previous year. The improvement came largely from the higher completion of external construction projects and improving hotel operations combined with the impact of the consolidation of the El Nido resort operations. Total EBITDA for Other Businesses in aggregate also improved by 5% to ₱899 million but EBITDA margins went down by 10% compared with 17% in 2009. This was due to a decline in margins on external construction projects of MDC, lower margins for the El Nido resort operations and some start-up costs for new carparks being managed by APMC.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees declined by 6% to ₱906 million in 2010 from ₱968 million the previous year as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at BGC. This offset the stronger performance of shopping center joint ventures accounted for under the equity method, particularly TriNoma and Alabang Town Center, and affiliate CHI which also saw an improvement in the performance of Ayala Center Cebu. Interest, Investment and Other Income likewise decreased by 10% to ₱1.27 billion in 2010, compared with the ₱1.41 billion the previous year due to lower interest rates on the Company's cash balances.

Expenses

Total expenses amounted to ₱29.95 billion, 22% more than the ₱24.61 billion spent in 2009. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at ₱24.95 billion, rose by 31% year-on-year largely because of higher construction activity on external MDC projects. GAE meanwhile grew by 14% to ₱3.19 billion due to the donation of a parcel of land in NUVALI to Xavier School as part of the Company's priming efforts for the area. Despite this, the GAE-to-revenue ratio dropped to 8% from 9% last year due to effective corporate cost control measures. Meanwhile, Interest Expense and Other Financing Charges declined by 35% to ₱1.82 billion due to the absence of provisions for impairment (which were recorded in 2009) as well as the lower average cost of debt on the Company's borrowings.

Project and Capital Expenditures

The Company spent a total of ₱20.1 billion for project and capital expenditures in 2010, 44% more than the ₱14.0 billion spent in 2009. Residential Development accounted for almost half of the total or 47%, while Hotels spent another 17%. Strategic Landbank Management and the Visayas-Mindanao groups, Shopping Centers and Corporate Business accounted for the balance of 16%, 14% and 6%, respectively. For 2011, the Company has earmarked another ₱32.6 billion for capital expenditures largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the expected acquisition of new landbank which will help sustain the Company's strong growth trajectory over the coming years.

Financial Condition

The Company's balance sheet continued to be robust with strong cash inflows from the successful pre-sales of various residential launches. Cash and Cash Equivalents stood at ₱19.9 billion with a Current Ratio of 1.67: 1. Total Borrowings stood at ₱21.0 billion from ₱18.8 billion as of December 2009, translating to a Debt-to-Equity Ratio of 0.37: 1 and a Net Debt-to-Equity Ratio of 0.02: 1. This gives the Company significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. In January 2011, the Company raised ₱10.0 billion through the issuance of fixed-rate corporate notes, consisting of ₱5.7 billion in 5-year notes, ₱3.3 billion in 10-year notes, and ₱1.0 billion in 15-year notes. This was notable in that it allowed the Company to take advantage of the attractive financing window and lower its borrowing cost and also because the 15-year tranche was the first such fixed-rate issue by a Philippine corporate and enables the Company to more effectively match the duration of its landbank assets with its financial liabilities.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End- 2010	*End-2009*
Current ratio [1]	1.67:1	1.95:1
Debt-to-equity ratio [2]	0.37:1	0.36:1

Net debt(cash)-to-equity ratio [3]	0.02:1	0.06:1
	FY 2010	*FY 2009*
Return on assets [4]	5.5%	3.9%
Return on equity [5]	10.1.%	8.0%

[1]Current assets / current liabilities
[2] Total debt (includes short-term debt, long-term debt and current portion of long term debt) / stockholders' equity attributable to equity holders of Ayala Land, Inc.
[3] Interest-bearing debt less cash, cash equivalents & investment in government securities / stockholders' equity attributable to equity holders of Ayala Land, Inc.
[4] Total Net income attributable to equity holders of Ayala Land, Inc / average total assets
[5] Total Net income attributable to equity holders of Ayala Land, Inc / average stockholders' equity

There were no events that triggered direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2010.

Material changes (+/- 5% or more) in the financial statements

Income Statement Items – 2010 versus 2009

27% increase in real estate revenues
Mainly due to higher sales from newly launched residential projects such as Park Terraces, Serendra West Tower and Santierra of ALP and Meranti of Alveo, and growth in Construction business.

33% increase in hotel revenues
Primarily due to higher occupancy and REVPAR at InterContinental Hotel Manila and Cebu City Mariott, and consolidation of El Nido resort operations.

5% decline in interest income
Mainly due to lower interest rates on money market placements.

6% decrease in equity in net earnings of associates and jointly controlled entities
Largely due to lower contribution from Fort Bonifacio Development Corporation despite of better performance of affiliate investments CHI and shopping center joint ventures accounted for under the equity method.

31% decline in other income
Mainly due to lower development management fees from third party projects.

31% increase in real estate costs and expenses
Mainly due to higher real estate revenues and construction activity on external MDC projects.

14% increase in general and administrative expenses
Primarily due to higher payroll costs and benefits.

14% increase in interest expense and other financing charges
Mainly due to new and additional loans.

43% increase in hotel and resort operation costs and expenses
Primarily due to higher hotel occupancy levels and consolidation of Ten Knots Group.

81% decrease in other charges
Largely due to absence of provision for impairment.

35% increase in provision for income tax
Mainly due to higher taxable income for the period.

29% increase in net income attributable to noncontrolling interests
Primarily due to higher income from NUVALI companies, ALI Property Partners Holdings Corp. (APPHC) and Leisure and Aliied Industries Philippines, Inc.

Balance Sheet Items – 2010 versus 2009

71% increase in cash and cash equivalents
Mainly due to liquidation of short term investments and fixed income securities, proceeds from pre-selling of residential products and MDC's collection of downpayment from new projects.

69% decrease in short-term investments
Primarily due to maturity of short-term investments.

53% decrease in financial assets at fair value through profit or loss and available-for-salefinancial assets
Mainly due to maturity of investments.

8% increase in accounts and notes receivables (net)
Largely due to launch of new projects and higher receivables of MDC from external contracts.

63% increase in real estate inventories
Mainly due to reclassification of NUVALI land from unsubdivided to saleable, and incremental project completion of existing and new projects.

18% increase in other current assets
Mainly due to MDC's prepaid expenses representing cost of materials, equipment rentals and salaries for new and existing projects, and prepaid taxes.

69% increase in non-current accounts and notes receivables
Largely due to trade receivables of Alveo, Avida and Vesta Property Holdings, Inc.

7% decrease in land and improvements
Mainly due to reclassification of NUVALI land from unsubdivided to saleable.

6% increase in investment properties
Largely due to disbursements related to the construction of Abreeza Mall.

24% increase in property and equipment
Mainly due to consolidation of Ten Knots Group.

92% increase in deferred tax assets
Largely due to unrealized gain on real estate projects under construction.

46% increase in other noncurrent assets
Mainly due to increase in utility and other deposits.

34% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of existing and new projects, and increase in accrued and taxes payable.

77% increase in short-term debt
Mainly due to new loan availment of ALI-parent, Avida, APPHC and Laguna Technopark, Inc.

68% decrease in income tax payable
Largely due to income tax payments made by Aurora Properties Inc. and Ceci Realty, Inc.

516% increase in current portion of long-term debt
Primarily due to reclassification of ALI-parent and APPHC loans payable from non-current to current.

6% decrease in other current liabilities
Mainly due to decrease in customer deposits.

6% decrease in long-term debt – net of current portion
Mainly due to reclassification of ALI-parent and APPHC loans from non-current to current, and loan pretermination of Enjay Hotels, Inc.

63% increase in pension liabilities
Primarily due to additional retirement contributions.

296% increase in deferred tax liabilities
Largely due to Serendra Inc. and consolidation of Ayala Hotels and Resorts Corporation.

11% decrease in deposits and other noncurrent liabilities
Primarily due to decrease in customer and security deposits, and deferred interest income on ALI advances and unearned management fees.

47% increase in deferred credits
Largely due to unearned revenues and management fees.

12% increase in retained earnings
Mainly due to increase in income.

12% increase in stock options outstanding
Primarily due to new ESOWN shares granted in May 2010.

145% increase in unrealized gain on available-for-sale financial assets
Primarily due to revaluation of fixed income securities AFS, and investments in shares of Ayala Corporation and Alabang Country Club.

27% increase in non-controlling interests in net assets of subsidiaries
Largely attributed to APPHC, Ceci Realty, Asian I-Office Properties, Inc. and Ten Knots Group.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip Gorres Velayo & Company through its Partner, Ms. Jessie D. Cabaluna audited Ayala Land, Inc.'s and Subsidiaries' financial statements and schedules for the years ended December 31, 2010, 2011 and 2012 included in this Prospectus, and has the following registration numbers:

CPA Cert. #	36317
PTR #	3669666, January 2, 2013, Makati City
SEC Accreditation #	0069-AR-3 (Group A), February 14, 2013, valid until February 13, 2016

a. **Audit and Audit-Related Fees**

ALI and its subsidiaries paid its external auditors the following fees in the past three years: *(in ₱ million; with VAT)*

	Audit & Audit-related Fees	Tax Fees	Other Fees
2012	15.7*	-	-
2011	11.9*	-	-
2010	10.3*	-	-

** Pertains to audit fees; no fees for other assurance and related services*

Under paragraph D.3.1 of the ALI Audit and Risk Committee Charter, the Audit Committee (composed of Oscar S. Reyes, Mercedita S. Nolledo and Jaime C. Laya) recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

b. **Tax Fees**

Tax consultancy services are secured from entities other than the appointed external auditor.

For the March 31, 2013 Financial Statements

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 16*, Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have any significant impact on the Group's financial position or performance.

PAS 32*, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment did not have any impact on its financial position or performance.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is applied and has no impact on the Group's financial position or performance.

Effective 2013

PFRS 7*, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32.. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments have no impact on the Group's financial position or performance.

PFRS 10, *Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard became effective for annual periods beginning on or after January 1, 2013.

As a result of the assessment based on PFRS 10 requirements, the Company consolidated North Triangle Depot Commercial Corporation, Cebu Holdings, Inc. and Alabang Commercial Corporation, which were previously accounted for as investments in associates, BG West Properties Inc., BG South Properties Inc. and BG North Properties Inc., which were previously accounted for as jointly controlled entities, in the Company's 2012 consolidated financial statements. This consolidation increased the Company's total consolidated assets by P27,276 million and total consolidated liabilities by P22,530 million as of December 31, 2012 . Consolidated revenues also increased by P995.1 million while consolidated income before income tax increased by P310.2 million for the quarter ended March 31, 2013. Adoption of PFRS 10 has no impact on the Company's EPS. These amounts have considered preliminary purchase price allocation for the entities in which it has obtained control.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard became effective for annual periods beginning on or after January 1, 2013.

The company has conducted an assessment of the impact of PFRS 11 on its jointly controlled entities. As a result of the assessment based on PFRS 11 requirements, the Company accounted for its jointly controlled entities namely Emerging City Holdings, Inc. and Berkshires Holdings, Inc. as Joint Ventures. The Standard has no impact in the Group's financial statements as the Group already accounts for its investment in jointly controlled entities using the equity method.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment became effective for annual periods beginning on or after July 1, 2012. The amendment affected presentation only and had no impact on the Group's financial position or performance.

PAS 19, *Employee Benefits* (Revised)
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments became effective for annual periods beginning on or after January 1, 2013. The Group has applied the amendments retroactively in its consolidated statements of financial position as at December 31, 2012. The restatement increased the net defined benefit obligation by ₱428.9 million, deferred tax asset by ₱128.7 million and decreased the retained earnings by ₱144.9 million as well as other comprehensive income by ₱155.3 million as at December 31, 2012.

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group. The amendment became effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment became effective for annual periods beginning on or after January 1, 2013.

Effective 2014

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the

classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

The Company has conducted an initial evaluation and has assessed that the standard does not have significant impact to the Company. No early adoption will be made as of date of this report as there are still major changes that are expected to be made in the existing draft of the standard that could impact the Company's decision to early adopt or not. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as 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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this interpretation.

For the December 31, 2012 Financial Statements

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following amended PFRS which became effective January 1, 2012. Except as otherwise indicated, the adoption of the amended standards did not have any significant impact on the Group's financial statements.

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

The Group has both investment properties at cost and assets under PAS 16 carried under the cost model. These assets are all classified as ordinary assets for income tax purposes. As the jurisdiction in which the Group operates does not have a different tax charge for 'sale' or 'use' basis of assets classified as ordinary assets for income tax purposes, the amendment has no impact on the financial statements of the Group.

Future Changes in Accounting Policies
The Group will adopt the following amended standards and Philippine 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.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry

forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 16*, Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

PAS 32*, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Effective 2013

PFRS 7*, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in

accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

f) The gross amounts of those recognized financial assets and recognized financial liabilities;
g) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
h) The net amounts presented in the statement of financial position;
i) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
j) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

As a result of the preliminary assessment based on PFRS 10 requirements, the Company will consolidate North Triangle Depot Commercial Corporation, Cebu Holdings, Inc. and Alabang Commercial Corporation, which are currently accounted for as investments in associates in the Company's 2012 consolidated financial statements.The change in accounting for these investments will increase total consolidated assets by ₱12,673.0 million as of December 31, 2012 (₱11,032.4 million as of December 31, 2011) and total consolidated liabilities by ₱8,556.1 million as of December 31, 2012 (₱7,287.8 million as of December 31, 2011). Consolidated revenues will also increase by ₱3,384.2 million for the year ended December 31, 2012 (₱3,164.9 million for the year ended December 31, 2011) while consolidated income before income tax will increase by ₱1,023.6 million for the year ended December 31, 2012 (₱895.5 million for the year ended December 31, 2011).Adoption of PFRS 10 has no impact on the Company's EPS. These amounts have considered preliminary purchase price allocation for the entities in which it has obtained control.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, Jointly *Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity

method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The company has conducted an assessment of the impact of PFRS 11 on its jointly controlled entities. It was concluded that its jointly controlled entities namely BG West Properties, Inc., BG South Properties, Inc., BG North Properties, Inc., Emerging City Holdings, Inc. and Berkshires Holdings, Inc. will be treated as Joint Ventures. The Standard has no impact in the Group's financial statements as the Group already accounts for its investment in jointly controlled entities using the equity method.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI*(Amendments)
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

PAS 19, *Employee Benefits* (Revised)
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning

on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard.

The effects are detailed below:

	Increase (decrease)		
	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
	(In Thousands)		
Consolidated statements of financial position			
Net defined benefit obligation	**₱428,880**	₱170,470	₱132,339
Deferred tax asset	**128,664**	51,141	39,702
Retained earnings	**144,896**	102,091	92,637
Other comprehensive income	**155,320**	17,238	**–**

	Increase (decrease)	
	2012	2011
	(In Thousands)	
Consolidated statements of income		
Net benefit cost	**₱61,150**	₱13,506
Income tax expense	**18,345**	4,052
Profit for the year:	**(42,805)**	(9,454)
Attributable to the owners of the Company	**(42,833)**	(9,637)
Attributable to non-controlling interests	**28**	183
Other comprehensive income	**(221,886)**	(24,625)
Tax effect on other comprehensive income	**(66,566)**	(7,388)

Equity in net earnings from investments in associates and jointly controlled entities will decrease net income attributable to owners of the Company by ₱1.1 million and ₱ 4.2 million for the year ended December 31, 2012 and 2011 respectively. The impact on EPS is less than ₱0.01 per share.

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a

significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Effective 2014

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

The Company has conducted an initial evaluation and has assessed that the standard does not have significant impact to the Company. No early adoption will be made as of date of this report as there are still major changes that are expected to be made in the existing draft of the standard that could impact the Company's decision to early adopt or not. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as 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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this interpretation.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

(as of March 31, 2013)

The write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

Board of Directors

Fernando Zobel de Ayala
Jaime Augusto Zobel de Ayala
Antonino T. Aquino
Francis G. Estrada
Delfin L. Lazaro
Jaime C. Laya
Aurelio R. Montinola III
Mercedita S. Nolledo
Oscar S. Reyes

Fernando Zobel de Ayala, Filipino, 53, has served as Chairman of the Board of ALI since 1999He was re-elected Chairman of the Board for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He is the Vice Chairman, President, and COO of Ayala Corporation. He is also: Chairman of Manila Water Company, Inc., AC International Finance Ltd., Ayala International Pte Ltd., Ayala DBS Holdings, Inc., Alabang Commercial Corporation, AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Co-Vice Chairman of Mermac, Inc.; Director of Bank of The Philippine Islands, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., LiveIt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., Vesta Property Holdings Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corporation, and Manila Peninsula; Member of The Asia Society, World Economic Forum, INSEAD East Asia Council, and World Presidents' Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; Vice Chairman of Habitat for Humanity International; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board and National Museum.

Jaime Augusto Zobel de Ayala, Filipino, 54, has served as a Director, Vice Chairman and member of the Executive Committee of ALI since 1988. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He also holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of Manila Water Company, Inc.; Co-Vice Chairman of Mermac, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte Ltd. and AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board, Children's Hour Philippines, Inc.; Vice Chairman of the Asia Business Council, Makati Business Club, and Asia Society Philippine Foundation, Inc.; Member of The Asia Society, Eisenhower Fellowships, Harvard University Asia Advisory Committee, Harvard Business School Social Enterprises Initiative Advisory Board, Harvard Global Advisory Council, Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, International Business Council of the World Economic Forum, Asia Pacific Basin Economic Council, Philippine Economic Society, World Wildlife Fund Philippine Advisory Council, Pacific Basin Economic Council and Toshiba International Advisory Group; and Philippine Representative for APEC Business Advisory Council.

Antonino T. Aquino, Filipino, 65, has served as Director and President of ALI since April 2009. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He also holds the following positions: Senior Managing Director of Ayala Corporation; Chairman of Alveo Land Corp., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Ayala Hotels, Inc., Makati Development Corp., North Triangle Depot Commercial Corp., and Station Square East Commercial Corp.; President of Fort Bonifacio Development Corp., Alabang Commercial Corp., Accendo Commercial Corp., Aurora Properties, Inc., Ceci Realty, Inc., and Vesta Property Holdings, Inc.; Director of Manila Water Company, Inc. He also serves as a member of the board of various corporate social responsibility foundations such as Ayala Foundation, Inc., Makati Commercial Estate Association, Inc., Hero Foundation, Inc. and Bonifacio Arts Foundation, Inc. He also served as President of Manila Water Company, Inc., and Ayala Property Management Corporation and a Business Unit Manager in IBM Philippines, Inc. He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership.

Francis G. Estrada, Filipino, 63, has served as Independent Director of ALI since April 2008. He was re-elected as Independent Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. His other significant positions are: Independent Director of Philamlife and General Incsurance Co. (Chairman of the Risk Management Committee and Member of the Audit and Investment Committees); Director and Member of the Technology Committee of Rizal Commercial Banking Corporation; Director, Chairman of the Risk Management Committee and Member of the Audit Committee of RCBC Savings Bank; Director and Member of the Audit Committee of Engineering Equipment, Inc; Chairman of the Board of Visitors of the Philippine Military Academy; Vice-Chairman, Trustee and Fellow of the Institute of Corporate Directors; Director and Member of the Compensation Committee of Clean Air Asia, Inc. ; Trustee of the Sociedad Espanola de Beneficiencia; Director of the Maximo T. Kalaw Foundation; Vice Chairman of Bancom Alumni, Inc.; Fellow, Institute for Solidarity in Asia; former Chairman of De La Salle University Board of Trustees; former Member of the National Mission Council and Chairman of the Investment Committee of De La Salle Philippines; former President of the Asian Institute of Management; Most Outstanding Alumnus of the Asian Institute of Management in 1989.

Delfin L. Lazaro, Filipino, 67, has served as member of the Board of ALI since April 1996. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He also holds the following positions: Director of Ayala Corporation; Chairman of Philwater Holdings Company, Inc., Atlas Fertilizer & Chemicals, Inc. and AYC Holdings, Inc.; Chairman and President of Purefoods International Ltd., and A.C.S.T. Business Holdings Inc.; Director of Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Manila Water Company, Inc., Ayala DBS Holdings, Inc., AC Energy Holdings, Inc., Ayala International Holdings, Ltd., Bestfull Holdings Limited, AG Holdings, AI North America, Inc., Probe Productions, Inc., and Empire Insurance Company.

Jaime C. Laya, Filipino, 74, has served as an Independent Director of ALI since April 2010. He was re-elected as Independent Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He is the Chairman of the Board of Directors and President of Philippine Trust Company (Philtrust Bank). He is also: an Independent Director of GMA Network, Inc. and Philippine AXA Life Insurance Co., Inc.; and a regular director of Philippine Ratings Services Corporation; Trustee of De la Salle University-Taft, St. Paul's University - Quezon City, Cultural Center of the Philippines, and Fundacion Santiago. He has served as Minister of the Budget, Minister of Education, Culture and Sports, and Governor of the Central Bank of the Philippines;

Chairman of the National Commission for Culture and Arts; and Professor and Dean of Business Administration of the University of the Philippines.

Aurelio R. Montinola, III, Filipino, 61, has served as member of the Board of ALI since February 2005. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He is the President and CEO of Bank of the Philippine Islands. His other affiliations, among others, include: Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI-Philam Life Assurance Corp., BPI Europe Plc., Amon Trading Corporation; Vice Chairman and President of the BPI Foundation, Inc.; Vice Chairman of the Asia/Pacific Regional Advisory Board of Mastercard Incorporated, Lafarge Republic, Inc., LGU Guarantee Corp., Far Eastern University and Philippine Business for Education, Inc.; Director of the BPI Capital Corporation, BPI Family Savings Bank, Inc.; and Member of the Management Association of the Philippines; and Trustee of the Makati Business Club, and Ayala Foundation, Inc.

Mercedita S. Nolledo, Filipino, 72, has served as Director of ALI since May 1994. She was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. She currently holds the following positions: Senior Counsel of the Ayala Group of Companies; Chairman of BPI Investment Management, Inc., and Ayala Group Legal; Director of Anvaya Cove Beach and Nature Club, Inc., Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings Corporation, Bank of the Philippine Islands, BPI Capital Corporation, and BPI Family Savings Bank; member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; and President of Sonoma Properties, Inc. She also served as a Director of Ayala Corporation from 2004 to September 2010.

Oscar S. Reyes, Filipino, 67, has served as an Independent Director of ALI since April 2009. He was re-elected as Independent Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He is a member of the Board of Directors of the Bank of the Philippine Islands, Manila Water Company, Inc., Philippine Long Distance Telephone Company (Advisory Board), Smart Communications, Inc., Pepsi Cola Products Philippines, Inc. (Chairman), Sun Life Financial Phils., Inc., Sun Life Prosperity Funds, Basic Energy Corporation and Alcorn Gold Resources Corporation, Petrolift, Inc., among other firms. He is also the President and Chief Executive Officer of Manila Electric Company, President of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center, Meralco Energy Inc., Redondo Peninsula Energy Inc., and Link Edge, Inc. Prior to these posts, he served as Country Chairman of the Shell Companies in the Philippines. He is a member of the Board of Trustees of One Meralco Foundation, Inc., SGV Foundation, Inc. and El Nido Foundation, Inc., and Pilipinas Shell Foundation, Inc.

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

Management Committee Members / Key Executive Officers

Antonino T. Aquino*	President and Chief Executive Officer
Bernard Vincent O. Dy	Executive Vice President
Vincent Y. Tan	Executive Vice President

Arturo G. Corpuz	Senior Vice President
Raul M. Irlanda	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Emilio J. Tumbocon	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Dante M. Abando	Vice President
Ruel C. Bautista	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Maria Corazon G. Dizon	Vice President
Anna Ma. Margarita B. Dy	Vice President
Steven J. Dy	Vice President
Michael Alexis C. Legaspi	Vice President
Joselito N. Luna	Vice President
Francis O. Monera	Vice President
Rodelito J. Ocampo	Vice President
Ma. Rowena Victoria M. Tomeldan	Vice President
Solomon M. Hermosura	Corporate Secretary

* *Member of the Board*

Bernard Vincent O. Dy, Filipino, 49, is an Executive Vice President and member of the Management Committee of Ayala Land, Inc. since 2005. Currently, he is the Head of the Residential Business Group, Commercial Business Group, Human Resources Group and Corporate Marketing and Sales Group of ALI. His other significant positions include: Chairman of Ayala Land International Sales, Inc., Anvaya Cove Golf & Sports Club and Amicassa Process Solutions, Inc.; Vice Chairman of Avida Land Corp. and Alveo Land Corporation; President of Serendra, Inc. and Varejo Corporation; Director of Fort Bonifacio Development Corporation, Ayala Land Sales, Inc., Bellavita Land Corporation, Amaia Land Corporation, North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation, Ayala Greenfield Golf & Leisure Club, and Philippine FamilyMart CVS, Inc.; Treasurer of SIAL Specialty Retailers, Inc. and SIAL CVS Retailers, Inc.

Vincent Y. Tan, Filipino, 63, is an Executive Vice President and Head of the Planning Group of ALI. He is a member of the Management Committee of ALI. His other positions include: Chairman and Director of Laguna Technopark, Inc. and Ecozone Power Management, Inc.; Director of Ayala Greenfield Golf & Leisure Club, Inc., Ayala Property Partners Corporation, First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc., Gisborne Property, Inc., UP North Property Holdings, Inc., Station Square East Commercial Corp., North Triangle Depot Commercial Corporation, and Metro Rail Transit Development Corporation.

Arturo G. Corpuz, Filipino, 57, is a Senior Vice President and member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Directors of Aurora Properties, Inc. and Vesta Properties Holdings, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning.

Raul M. Irlanda, Filipino, 57, is a Senior Vice-President and a member of the Management Committee of ALI. He is the Chairman and board member of Ayala Property Management

Corporation; President and Chief Executive Officer and Director of Philippine Integrated Energy Solutions Inc. and DirectPower; Board Member of Makati Development Corporation. MDC BuildPlus, and Tower One Condominium Corporation. He is the first and only Filipino Certified Facility Manager by the International Facility Management Association; Governor of Ayala Center Association and Makati Commercial Estate Association. Inc.; and the Group head of Ayala Security Force.

Jose Emmanuel H. Jalandoni, CFA, Filipino, 45, is a Senior Vice President and member of the Management Committee of ALI. He is the Group Head of ALI-Capital and Hotels Group. His significant positions include: President and CEO of Ayala Hotels, Inc. and AyalaLand Hotels and Resorts Corporation; Director of Ten Knots Philippines, Inc.; Chairman & Director of Cebu Insular Hotel Co. Inc. and Enjay Hotels, Inc. He is a member of the Investment Committee of Arch Capital Asian Partners, G.P. (Cayman) and KHI-ALI Manila, Inc. He joined ALI in 1996 and held various positions in the company.

Emilio J. Tumbocon, Filipino, 56, is a Senior Vice-President at Ayala Land, Inc., and a member of its Management Committee. He heads the ALI-VisMin Group and concurrently Technical Services Director of Superblock Projects since 2008. His other significant positions are: Director of Cebu Holdings, Inc., Cebu Property Ventures & Development Corporation, Cebu Insular Hotel Co., Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corp., Makati Development Corporation, MDC Buildplus, Inc., Direct Power Services, Inc., Ecozone Power Management, Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Asian-I Office Properties, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., and Crest View E-Office Corporation. He is a certified Project Management Professional (PMP) of the Project Management Institute since 2006. He has 32 years of extensive work experience in the construction and real estate industry.

Jaime E. Ysmael, Filipino, 52, is a Senior Vice President, Chief Finance Officer, Compliance Officer and member of the Management Committee of Ayala Land, Inc. Concurrently, he is a Managing Director of Ayala Corporation. His other significant positions include: Chairman of the Board of Directors and Chief Executive Officerof Aprisa Business Process Solutions, Inc.; Director and President of CMPI Holdings, Inc. and CMPI Land, Inc.; Director and President of South Gateway Development Corporation;President of Tower One & Exchange Plaza Condominium Corporation; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels and Resorts Corporation and Anvaya Cove Beach & Nature Club, Inc.; Director, Treasurer and ExCom Member of Ayala Hotels, Inc., Enjay Hotels, Inc. and Cebu Holdings, Inc.; Director of Alabang Commercial Corp., Avida Land Corp., Cebu Insular Hotel Company, Inc., North Triangle Depot Commercial Corp., Station Square East Commercial Corp., Philippine Integrated Energy Solutions, Inc, Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Properties Holdings, Inc. He is also a Director of the Asia Pacific Real Estate Association Ltd. and Chairman of the Board of Directors of its Philippine Chapter.

Dante M. Abando, Filipino, 48, is a Vice President and Member of the Management Committee of ALI. He is concurrently President and a Member of the Board of Directors of Makati Development Corporation and MDC BuildPlus, Inc. His other significant positions include Director of Alveo Land, Ayala Property Management Corp., Avida Land, Corp., Serendra, Inc.; and President and Director of Anvaya Cove Golf and Sports Club, Inc. Prior to joining ALI, he served as Manager of Philkoei International, Inc. and Construction Engineer for DM Consunji, Inc.

Ruel C. Bautista, Filipino, 57, is a Vice President of ALI since January 2007. He is concurrently the Executive Vice President of Makati Development Corporation and Head of the Construction Management Group. Prior to joining ALI, he served in various project management, construction operation and engineering capacities in other private institutions for close to 25 years.

Augusto D. Bengzon, Filipino, 50, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp., Aurora Properties, Inc., Vesta Properties Holdings, Inc., Ceci Realty, Inc and Hero Foundation, Inc.; Director of Anvaya Cove Golf and Sports Club; Trustee of PNP Foundation, Inc., and Dr. Fe del Mundo Medical Center Foundation Phils., Inc. Prior to joining ALI, he was Vice President and Credit Officer in Global Relationship Banking at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management.

Aniceto V. Bisnar, Jr., Filipino, 49¸ is a Vice President of ALI since January 2009. He is under the Strategic Land Bank Management Group (SLMG) and heads the NUVALI and FTI (ARCA South) developments of ALI. His significant positions include: member of the Board of Directors, Executive Vice President and General Manager of Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc.; and Board of Trustee of Hero Foundation, Inc. He served as the Head of Commercial Operations of Fort Bonifacio Development Corporation which developed Bonifacio Global City, and was a Director of Bonifacio Estates Services Corp., Bonifacio Water Corp., Bonifacio Transport Corp., Bonifacio Gas, Inc., Bonifacio Global City Estate Association, and Bonifacio Arts Foundation, Inc. He also served as General Manager of Ayala Greenfield Development Corporation; Chairman of Crimson Field Enterprises, Inc.; and Director of Red Creek Properties, Inc. He joined ALI in 1994 and had served in various positions covering land acquisition, planning and development and general management positions.

Manuel A. Blas II, Filipino, 58, is a Vice-President of Ayala Land Inc. since January 2008, and is currently the Head of Commercial Operations in Bonifacio Global City. He is also assigned as Managing Director of Bonifacio Arts Foundation, Inc. He spearheaded the project development of The Mind Museum, the first world class science museum in the country.

Maria Corazon G. Dizon, Filipino, 49, is a Vice President and Head of Business Development and Strategic Planning of the Commercial Business Group, which consists of malls and office leasing developments. She is also the Head of the Retailing Business Group, which handles the development and operations of ALI's new retailing businesses. She holds the following significant positions in the following companies: Director of MRT Development Corporation, North Triangle Depot Commercial Corporation, Accendo Commercial Corporation, Cagayan De Oro Gateway Corp., Station Square East Commercial Corporation, North Beacon Commercial Corp., South Innovative Theater Management, Inc., Asian I-Office Properties, Inc., Ayala Theatres Management, Inc., Philippine Family Mart CVS, Inc., SIAL Specialty Retailers, Inc., SIAL CVS Retailers, Inc, and Five Star Cinema, Inc.; Chairman and Director of Ayalaland Metro North, Inc., Cavite Commercial Town Center, Arvo Commercial Corporation, Crestview E-Office Corp., Gisborne Property Inc., Primavera Towncentre, Inc., Subic Bay Town Center, Inc., and Summerhill E-Office, Inc.; and Director and Vice President of Varejo Corp. Over the years in ALI, she occupied various key positions including Asset Management Head and Chief Finance Officer for the Ayala Malls Group, Head of Corporate Control and Analysis Division, and Head of ALI Investor Relations Unit.

Anna Ma. Margarita B. Dy, Filipino, 43, is Vice President and member of the Management Committee of Ayala Land, Inc. effective August 2008. She is Head of the Strategic Landbank Management Group (SLMG). Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation and is a Director of the Nuvali Subsidiaries: Aurora Properties, Inc., Vesta Properties Holdings, Inc., and Ceci Realty, Inc. Prior to joining ALI, she was Vice President of Benpres Holdings Corporation.

Steven J. Dy, Filipino, 48, is a Vice President of ALI since December 2010 assigned to the international initiative of the Company in China. Prior to this assignment, he was with the corporate business group for three years heading one of the project development groups and the business development. He had the same responsibilities when he was with Avida Land Corporation.

Michael Alexis C. Legaspi, Filipino, 55, is a Vice President of ALI since July 2009, and is currently the Chief Operating Officer of Ayala Hotels, Inc. & AyalaLand Hotels & Resorts Corp. He serves as the President of Enjay Hotels, Inc. and Cebu Insular Hotels Co. Inc. He is a Director of AyalaLand Hotels & Resorts Corp, KHI-ALI Manila, Inc., Greenhaven Property Ventures, Inc., Southcrest Hotel Ventures, Inc, Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Ten Knots Development Corp., and Ten Knots Phils., Inc. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Senior Vice President and Head of Operations of Ayala Property Management Corporation.

Joselito N. Luna, Filipino, 50, is a Vice President and member of the Management Committee since August 2008. He is also Ayala Land, Inc.'s Chief Architect and Head of Innovation and Design Group. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc. and Anvaya Cove Golf & Sports Club Inc. He joined ALI in 1990 as a Registered Architect and Environmental Planner.

Francis O. Monera, Filipino, 58, is a Vice President of ALI since January 2006. He is currently the President of Cebu Holdings, Inc. (CHI) and Cebu Property Ventures & Development Corp. (CPVDC). He has served as a director of CHI and CPVDC since April 2006. Before joining ALI, he was the Senior AVP/Corporate Controller of Philippine National Construction Corporation. He served as President of the Cebu Chamber of Commerce and Industry from February 2006 to 2008. He is currently the Vice President for Visayas of Philippine Chamber of Commerce and Industry.

Rodelito J. Ocampo, Filipino, 50, is a Vice President of ALI since December 2010. He is currently Makati Development Corporation's Head of Construction Operations Group 2. Before his MDC assignment, he served as Technical Services Group Head of Avida Land Corporation and Alveo Land Corporation, wholly owned subsidiaries of ALI and Construction Management Director of ALI's Residential Buildings Group. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years.

Maria Rowena Victoria M. Tomeldan, Filipino, 51, is a Vice President of ALI since January 2005. She currently heads the Operations and Support Services, Commercial Business Group. Her other significant positions include: Director of Bonifacio Global City Estate Association, ALI-CII Development Corporation, Alabang Commercial Corporation, Cagayan De Oro Gateway Corporation and Asian I-Office Properties, Inc.; Chairman of the Board of Directors of Ayala Theatres Management, Inc., Five Star Cinema, Inc., Leisure and Allied Industries Phils., Inc., South Innovative Theatre Management, Inc., Hillsford Property Corporation, Sunnyfield E-Office Corporation and North Beacon Commercial Corporation; Vice-Chairman of the Board of Directors of Lagoon Development Corporation; President of Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc., Subic Bay Town Center, Inc., Arvo Commercial Corporation, Cavite Commercial Town Center, Inc., Ecozone Power Management, Inc., ALI Property Partners Corp., One Dela Rosa Property Development, Inc., First Gateway Real Estate Corporation, UP North Property Holdings, Inc., Glensworth Development, Inc., Gisborne Property Holdings, Inc., Ayalaland Metro North, Inc., Crestview E-Office Corporation, Summerhill E-Office Corporation, Solerte Corp., and Primavera Towncentre, Inc.; Vice President of Accendo Commercial Corporation; and Governor of the Ayala Center Association;. Presently, she is a member of the International Council of Shopping Centers (ICSC) Asia Advisory Council and the ICSC Asia Research Council.

Solomon M. Hermosura, Filipino, 51, has served as Corporate Secretary of the Company since April 2011. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He was Corporate Secretary of Integrated Micro-Electronics, Inc. until June 7, 2011.

Significant Employees

The Company considers its human resources working as a team as a key element for its continued success. But the Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board of Directors, and Jaime Augusto Zobel de Ayala, Vice Chairman, are brothers.

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

a. None of them has been involved in any bankruptcy petition.
b. None of them has been convicted by final judgment in a criminal proceeding or is subject to a pending criminal proceeding, both domestic and foreign.
c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

As of end-2012, the Company is not involved in any litigation it considers material. In any event, below are the legal proceedings involving the Company that may be significant.

Las Piñas Property

Certain individuals and entities have claimed an interest in ALI's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning in October 1993, ALI filed petitions in the Regional Trial Courts (RTC) in Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these claimants. These cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The controversy involves the remaining area of approximately 126 hectares.

ALI has made no provision in respect of such actual or threatened litigations.

EXECUTIVE COMPENSATION

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

"Section 17 – Each director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form, and structure of the fees and other compensation of directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.

The compensation and remuneration committee of the Board of Directors shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope." (As Amended April 13, 2011.)

During the 2011 annual stockholders' meeting, the stockholders ratified the resolution increasing the remuneration of non-executive directors as follows:

	From	To
Retainer Fee:	₱500,000.00	₱1,000,000.00
Board Meeting Fee per meeting attended:	₱100,000.00	₱200,000.00
Committee Meeting Fee per meeting attended:	₱20,000.00	₱100,000.00

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

The Company has no other arrangement with regard to the remuneration of its directors and officers aside from the compensation received as herein stated.

*Officers.*The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to ₱148.5 million in 2011 and ₱191.2 million in 2012. The projected total annual compensation for the current year is ₱168.3 million.

Total compensation paid to all senior personnel from Manager and up amounted to ₱570.91 million in 2011 and ₱755 million in 2012. The projected total annual compensation for the current year is ₱780 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Antonino T. Aquino* President & CEO			
Vincent Y. Tan			

Name and Principal Position	Year	Salary	Other Variable Pay
Executive Vice President			
Arturo G. Corpuz Senior Vice President			
Raul M. Irlanda Senior Vice President			
Emilio Lolito J. Tumbocon Senior Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2011 (restated)	₱94.5M	₱54M
	Actual 2012	₱101.2M	₱90M
	Projected 2013	₱108.3M	₱60M**
All other officers*** as a group unnamed	Actual 2011 (restated)	₱383.69M	₱187.22M
	Actual 2012	₱497M	₱258M
	Projected 2013	₱530M	₱250M**

** Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes.*
*** Exclusive of Stock Option exercise.*
**** Managers and up.*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash. The total annual compensation includes the basic salary and other variable pay (performance bonus and exercise of Stock Option Plan). The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

Options Outstanding

The Company has offered its Executive Stock Option Plan ("ESOP") to the Company's officers since 1998. Of the above named officers, there were 2.7 million common shares exercised in 2012 by the above-named officers, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Arturo G. Corpuz		Various	Various	Various
Vincent Y. Tan		Various	Various	Various
Emilio Lolito J. Tumbocon		Various	Various	Various
All above –named officers as a group	2,731,274		4.53	6.02*

** Average prices on the dates of grant.*

The Company has adjusted the exercise price of the options awarded to the above named officers due to the stock dividend paid by the Company in June 2007.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year period. In case the grantee retires, he is given three years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

For other details on stock options, please refer to Note 28("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2012Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS

Security ownership of certain record and beneficial owners of more than 5% as June 30, 2013.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of outstanding shares)
Common Preferred	Ayala Corporation[1] 34/F, Tower One Ayala Triangle Ayala Ave., Makati City	Ayala Corporation[2]	Filipino	6,934,509,515 12,163,180,640	25.46% 44.65%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited[4]	Singaporean	2,354,466,411	8.64%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited[4]	British	1,855,870,934	6.81%
Common	PCD Nominee Corporation (Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[5]	Filipino	1,385,734,725	5.09%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customer[5]	Various	1,343,736,267	4.93%

[1] Ayala Corporation ("AC") is the parent of the Company.
[2] Under the By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.
[3] PCD is not related to the Company.
[4] Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively, "Aberdeen") are the clients of a participant of PCD. Aberdeen has the power to decide how their shares in the Company are to be voted.
[5] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. Out of the 2,729,470,992 common shares registered in the name of PCD Nominee Corporation (Filipino and Non-Filipino), 2,025,410,834 (7.436% of voting shares) are for the account of The Hongkong and Shanghai Banking Corporation (HSBC) and Deutsche Bank (DB). The Company has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of HSBC, DB or any of their customers beneficially owns more than 5% of the Company's common shares except for Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers.

Security ownership of directors and management (executive officers) as of June 30, 2013:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of outstanding shares)
Directors				
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Antonino T. Aquino	19,834,017 (direct & indirect)	Filipino	0.07281%
Common	Mercedita S. Nolledo	406,305 (direct & indirect)	Filipino	0.00149%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%
Common	Oscar S. Reyes	231,601 (direct & indirect)	Filipino	0.00085%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Aurelio R. Montinola III	3,579 (direct & indirect)	Filipino	0.00001%
CEO and Most Highly Compensated Executive Officers				
Common	Antonino T. Aquino	19,834,017 (direct & indirect)	Filipino	0.07281%
Common	Vincent Y. Tan	11,596,981 (indirect)	Filipino	0.04257%
Common	Arturo G. Corpuz	4,939,444 (direct & indirect)	Filipino	0.01813%
Common	Raul M. Irlanda	1,078,577 (indirect)	Filipino	0.00396%
Common	Emilio J. Tumbocon	8,436,305 (direct & indirect	Filipino	0.03097%
Other Executive Officers				
Common	Bernard Vincent O. Dy	8,133,291 (indirect)	Filipino	0.02986%
Common	Jose Emmanuel H. Jalandoni	3,957,772 (indirect)	Filipino	0.01453%
Common	Jaime E. Ysmael	8,002,996 (direct & indirect)	Filipino	0.02938%
Common	Dante M. Abando	2,548,556 (direct & indirect)	Filipino	0.00936%
Common	Ruel C. Bautista	506,747 (direct & indirect)	Filipino	0.00186%
Common	Augusto D. Bengzon	1,654,666 (indirect)	Filipino	0.00607%
Common	Aniceto V. Bisnar, Jr.	1,263,289 (indirect)	Filipino	0.00460%
Common	Manny A. Blas II	1,548,460 (direct & indirect)	Filipino	0.00568%
Common	Ma. Corazon G. Dizon	867,002 (direct & indirect)	Filipino	0.00318%
Common	Steven J. Dy	1,022,969 (indirect)	Filipino	0.00376%
Common	Anna Ma. Margarita B. Dy	4,608,760 (indirect)	Filipino	0.01692%
Common	Michael Alexis C. Legaspi	3,270,122 (direct & indirect)	Filipino	0.01201%
Common	Joselito N. Luna	3,461,356 (direct & indirect)	Filipino	0.01271%
Common	Francis O. Monera	1,203,497 (direct &	Filipino	0.00442%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of outstanding shares)
		indirect)		
Common	Rodelito J. Ocampo	1,047,008 (direct & indirect)	Filipino	0.00384%
Common	Ma. Rowena Victoria M. Tomeldan	1,466,066 (direct & indirect)	Filipino	0.00538%
Common	Solomon M. Hermosura	480 (direct)	Filipino	0.00000%
Common	Sheila Marie U. Tan	1,109,245 (direct & indirect)	Filipino	0.00407%
All Directors and Officers as a group		**92,223,093**		**0.33857%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

Voting Trust Holders of 5% or More

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of their immediate families was involved or had a direct or indirect material interest.

Ayala Land employees are required to promptly disclose any business and family-related transactions with the company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

DESCRIPTION OF DEBT

As of March 31, 2013, Ayala Land had the equivalent of ₱73.81 billion of outstanding debt, all of which are unsecured.

Of Ayala Land's outstanding debt, ₱40.4 billion is evidenced by a debt instrument that was acknowledged by both the creditor and Ayala Land before a notary public. Under Philippine law, in the event that a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a debt instrument that has been acknowledged by the creditor and the borrower before a notary public enjoys a preference over unsecured debt that has not been so notarized. Ayala Land has secured the waiver by the creditors of such preference in their respective debt instruments. (See discussion under *"Risk Factors and Other Considerations"* of this Prospectus).

The following tables set forth the outstanding long and short-term debt of Ayala Land and its subsidiaries as of March 31, 2013 (in millions).

Short-Term Debt

Borrower	Amount
Ayala Land, Inc.	₱3,781
Alveo Land Corporation	2,350
Avida Land Corporation	2,387
Chirica Resorts Corp.	36
Leisure & Allied Industries Philippines, Inc.	205
Station Square East Commercial Corporation	277
Alabang Commercial Corporation	233
Cebu Holdings, Inc.	408
Ayalaland Hotels & Resort Corporation	112
Amaia Land Corp.	350
Vesta Properties, Incorporation	525
Total	**₱ 10,664**

Long-Term Debt

	Current		Non-Current		Total	
Borrower	**Peso**	**US$**	**Peso**	**US$**	**Peso**	**US$**
Ayala Land, Inc.	₱5,180	-	₱34,025	$59	₱39,205	$59
Accendo Commercial Corp.	29	-	2,272	-	2,301	-
Ayalaland Hotels & Resort Corporation	-	-	5,472	120	5,472	120
Arvo Commercial Corporation	-	-	50.0	-	50.0	-
Asian i-Office Properties, Inc.	72	-	1,301	-	1,373	-

Avida Land Corp.	2,000	-	-	-	2,000	-
Cagayan De Oro Gateway Corporation	-	-	2,350	-	2,350	-
Crestview E-Office Corporation	8	-	301	-	309	-
ALI Property Partners Corporation	1,320	-	1,002	-	2,322	-
Hillsford Property Corporation	12	-	88	-	100	-
Philippine Intergrated Energy Solutions, Inc.	-	-	600	-	600	-
Station Square East Commercial Corporation	49	-	1,423	-	1,472	-
Subit Bay Town Centre, Inc.	-	-	881	-	881	-
Sunnyfield E-Office Corporation	18	-	130	-	148	-
Cebu Holdings Inc.	-	-	1,437	-	1,437	-
North Triangle Depot Commercial Corporation	210	-	2,914	-	3,124	-
Total	₱8,900	-	₱54,246	182	₱63,146	182

** Including bonds and FXCNs*

The table below details Ayala Land's Issuances of Debt Securities / New Financing through Loans from January 1 to March 31, 2013 (in Peso millions).

Borrower	Amount	Nature
Ayala Land, Inc.	₱5,686	availment of new short-term loans and issuance of Homestarter Bonds
Accendo Commercial Corp.	65	availment of long-term loans
Alveo Land Corporation	500	availment of short-term loans
Asian i-Office Properties, Inc.	150	availment of long-term loans
Avida Land Corp.	700	Issuance of FXCNs
Philippine Intergrated Energy Solutions, Inc.	65	availment of long-term loans
Station Square East Commercial Corporation	114	availment of short-term loans
North Triangle Depot Commercial Corporation	19	availment of long-term loans
Total	**₱7,299**	

The following sets out the repayments of Debt Securities from January 1 to March 31, 2013 (in Peso millions):

Borrower	Amount	Nature
Ayala Land Inc.	₱6,072	repayment of fixed-rate corporate notes and short-term loans
Accendo Commercial Corp.	5	amortization on long-term loan
Alveo Land Corp.	500	repayment of short-term loans
ALI Makati	56	amortization on long-term loan

Amaia Land Corp.	350	repayment of short-term loans
Asian i-Office Properties, Inc.	18	amortization on long-term loan
Avida Land Corp.	200	repayment of short-term loans
Crestview E-Office Corporation	2	amortization on long-term loan
First Gateway Real Estate Corporation	13	amortization on long-term loan
Glensworth Development, Inc.	13	amortization on long-term loan
Hillsford Property Corporation	3	amortization on long-term loan
Leisure & Allied Industries Philippines, Inc.	5	repayment of short-term loans
North Beacon Commercial Corporation	968	prepayment of long-term loans
One Dela Rosa Property Development, Inc.	55	amortization on long-term loan
Station Square East Commercial Corporation	174	amortization on long-term and repayment of short-term loans
Sunnyfield E-Office Corporation	5	amortization on long-term loan
UP North Property Holdings,Inc.	313	amortization on long-term and repayment of short-term loans
North Triangle Depot Commercial Corp.	44	amortization on long-term and repayment of short-term loans
Total	**₱8,796**	

There were no commercial paper issuances and outstanding balance as of the three months ended March 31, 2013.

CORPORATE GOVERNANCE

Ayala Land has always been committed to strong and transparent corporate governance, going well beyond mere compliance with the code mandated by law. Ayala Land made several important improvements to its governance in 2004, focusing on increasing the involvement of various governance bodies, strengthening performance management, and ensuring compliance with Philippine Accounting Standards. In 2007, the Company adopted several initiatives aimed toward achieving governance excellence. These include conduct of a Self-Assessment Survey by the Board of Directors, development of Business Contingency Plans, adoption of risk-based audit approach and independent quality review of the Internal Audit function. Ayala Land believes that these changes will streamline its existing business models, improve execution, reduce risks, and better safeguard the collective and individual interests of its diverse set of shareholders.

Ayala Land seeks to promote and enhance compliance of good corporate governance. Ayala Land is requiring observance of good corporate governance of all its subsidiaries, including those that are not listed on the PSE and not covered by the SEC Code of Corporate Governance.

The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top level management with its Revised Manual of Corporate Governance (the "Revised Manual") consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Revised Manual of the SEC.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Revised Manual. The Company has adopted in the Revised Manual the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

FINANCIAL INFORMATION

The following pages set forth Ayala Land's audited consolidated financial statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010. The following pages also contain the unaudited interim consolidated financial statements as of March 31, 2013 and the for the three-month period ending March 31, 2013 and 2012.