

SEC Number: 152-747

File Number: _____

AYALA LAND, INC.

(Company's Full Name)

c/o 30/F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

March 31, 2012

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

(Amendments)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2012
2. Commission Identification Number 152747
3. BIR Tax Identification No. 000-153-790-000
4. Exact name of issuer as specified in its charter: AYALA LAND, INC.
5. Province, Country or other jurisdiction of incorporation or organization:
Makati City, Philippines
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of issuer's principal office and postal code:
c/o 30/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226
8. Issuer's telephone number, including area code: (632) 750-6974
9. Former name, former address, former fiscal year: not applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of March 31, 2012

| <u>Title of each class</u> | <u>Number of shares issued and outstanding</u> |
|----------------------------|--|
| Common shares | 13,044,415,650 |

Amount of Debt Outstanding
P4.9 billion bonds

11. Are any or all of the securities listed on a Stock Exchange?
Yes [x] No []

Stock Exchange: Philippine Stock Exchange
Securities listed: Common shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes

No

(b) has been subject to such filing requirements for the past 90 days:

Yes

No

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements



Ayala Land, Inc.
Consolidated Statements of Financial Position
As of March 31, 2012 and December 31, 2011
(in million pesos)

| | March 2012 Unaudited | December 2011 Audited |
|--|-------------------------|--------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 21,834 | 24,603 |
| Short-term investments | 0 | 192 |
| Accounts and notes receivable - net | 23,407 | 21,578 |
| Real estate inventories | 20,519 | 21,909 |
| Other current assets | 10,168 | 7,035 |
| Total Current Assets | 75,928 | 75,317 |
| Noncurrent Assets | | |
| Non-current accounts and notes receivable | 8,156 | 7,294 |
| Land and improvements | 22,137 | 18,737 |
| Investments in associates and jointly controlled entities | 13,035 | 12,626 |
| Available-for-sale financial assets | 471 | 710 |
| Investment properties - net | 31,641 | 30,490 |
| Property and equipment - net | 6,408 | 5,395 |
| Deferred tax assets - net | 1,952 | 1,949 |
| Other noncurrent assets | 1,957 | 2,101 |
| Total Noncurrent Assets | 85,759 | 79,303 |
| | 161,687 | 154,619 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts and other payables | 38,339 | 38,129 |
| Short-term debt | 5,835 | 4,639 |
| Income tax payable | 384 | 180 |
| Current portion of long-term debt | 1,652 | 1,557 |
| Other current liabilities | 3,295 | 1,125 |
| Total Current Liabilities | 49,504 | 45,629 |
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion | 29,047 | 28,335 |
| Pension liabilities | 52 | 72 |
| Deferred tax liabilities - net | 735 | 744 |
| Deposits and other noncurrent liabilities | 9,222 | 7,796 |
| Total Noncurrent Liabilities | 39,056 | 36,947 |
| Total Liabilities | 88,560 | 82,577 |
| Equity | | |
| Equity Attributable to Equity Holders of Ayala Land, Inc. | 19,032 | 18,960 |
| Paid-up capital | 44,629 | 43,926 |
| Retained earnings | 230 | 232 |
| Stock options outstanding | 40 | 54 |
| Unrealized gain(loss) on available-for-sale financial assets | 9 | 9 |
| Other reserves | (824) | (824) |
| Treasury Stock | 63,116 | 62,357 |
| | 10,010 | 9,686 |
| Non-controlling interests | 73,126 | 72,043 |
| | 161,687 | 154,619 |



Ayala Land, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2012 and March 31, 2011
(in million pesos)

| | Jan-Mar 2012 Unaudited | Jan-Mar 2011 Unaudited |
|--|---------------------------|---------------------------|
| REVENUE | | |
| Real estate | 11,120 | 9,434 |
| Hotel operations | 650 | 560 |
| Equity in net earnings of investees, interest, fees, investment and other income | 620 | 596 |
| | 12,390 | 10,590 |
| COSTS AND EXPENSES | | |
| Real estate | 7,358 | 6,308 |
| Hotel operations | 367 | 347 |
| General and administrative expenses | 939 | 854 |
| Interest expense, financing and other charges | 486 | 611 |
| | 9,150 | 8,120 |
| INCOME BEFORE INCOME TAX | 3,241 | 2,470 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | | |
| Current | 640 | 543 |
| Deferred | 127 | 49 |
| | 767 | 592 |
| INCOME BEFORE INCOME ASSOCIATED WITH NON CURRENT ASSETS HELD FOR SALE | 2,474 | 1,878 |
| INCOME ASSOCIATED WITH NON CURRENT ASSETS HELD FOR SALE | - | - |
| NET INCOME | 2,474 | 1,878 |
| Net Income(Loss) Attributable to : | | |
| Equity holders of Ayala Land, Inc. | 2,132 | 1,623 |
| Non-controlling interests | 342 | 255 |
| | 2,474 | 1,878 |
| Earnings per Share | | |
| Basic * | 0.16 | 0.12 |
| Diluted ** | 0.16 | 0.12 |

* Based on 13,043,825,592 and 13,028,944,485 weighted average number of shares as of March 31, 2012 and March 31, 2011, respectively

** Based on 13,062,002,954 and 13,051,333,397 weighted average number of shares as of March 31, 2012 and March 31, 2011, respectively



Ayala Land, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(in million pesos)

| | Jan-Mar 2012 Unaudited | Jan-Mar 2011 Unaudited |
|--|---------------------------|---------------------------|
| NET INCOME FOR THE PERIOD | 2,474 | 1,878 |
| Other comprehensive income | | |
| Net unrealized gain(loss) on available-for-sale financial assets | (14) | (5) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 2,460 | 1,873 |
| Total comprehensive income attributable to : | | |
| Equity holders of of Ayala Land, Inc. | 2,118 | 1,617 |
| Non-controlling interests | 342 | 255 |
| | 2,460 | 1,873 |



Ayala Land, Inc.
Consolidated Statement of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2012 and March 31, 2011
(in million pesos)

| | Jan 1 - Mar 31 2012 Unaudited | Jan 1 - Mar 31 2011 Unaudited |
|---|----------------------------------|----------------------------------|
| CAPITAL STOCK -(Common Stock- P1 par value) | | |
| Issued | | |
| Balance at beginning of year | 13,023 | 13,012 |
| Issuance of shares | 11 | 3 |
| Balance at end of the year | 13,034 | 13,015 |
| COMMON STOCK | | |
| Subscribed | | |
| Balance at beginning of year | 100 | 96 |
| Issuance of shares | (11) | (3) |
| Stock options exercised | 1 | 0 |
| Balance at end of the year | 90 | 93 |
| CAPITAL STOCK -(Preferred Shares- P.10 par value) | | |
| Issued | | |
| Issuance of shares | 1,303 | 1,303 |
| ADDITIONAL PAID-IN CAPITAL | | |
| Balance at beginning of year | 4,887 | 4,614 |
| Stock options exercised | 37 | 0 |
| IFRS 2- Adjustment on Share-based payment | 0 | 42 |
| Balance at end of year | 4,925 | 4,657 |
| SUBSCRIPTIONS RECEIVABLE | | |
| Balance at beginning of year | (353) | (345) |
| Collections | 46 | 20 |
| IFRS 2- Adjustment on Share-based payment | (12) | (9) |
| Balance at end of year | (320) | (334) |
| TOTAL PAID-UP CAPITAL | 19,032 | 18,733 |
| STOCK OPTIONS | | |
| Balance at beginning of year | 232 | 203 |
| Stock options exercised | (3) | (5) |
| Balance at end of year | 230 | 197 |
| TREASURY STOCK | (824) | (824) |
| RETAINED EARNINGS | | |
| Appropriated for future expansion | 6,000 | 6,000 |
| Unappropriated: | | |
| Balance at beginning of year | 37,926 | 32,757 |
| Cash dividends | (1,428) | (955) |
| Net income | 2,132 | 1,623 |
| Balance at end of year | 38,629 | 33,425 |
| | 44,629 | 39,425 |
| UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS | | |
| Balance at beginning of year | 54 | 41 |
| Net changes during the year | (14) | (5) |
| Balance at end of year | 40 | 36 |
| Other reserves | 9 | |
| | 63,116 | 57,567 |
| NON-CONTROLLING INTERESTS | | |
| Balance at beginning of year | 9,686 | 8,613 |
| Net income(loss) | 342 | 255 |
| Increase/(Decrease) in non-controlling interests | 3 | (7) |
| Dividends paid to minority interests | (21) | 0 |
| | 10,010 | 8,861 |
| | 73,126 | 66,429 |



Ayala Land, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2012 and March 31, 2011
(in million pesos)

| | Jan 1 - Mar 31 2012 Unaudited | Jan 1 - Mar 31 2011 Unaudited |
|---|----------------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | 3,241 | 2,470 |
| Adjustments for: | | |
| Depreciation and amortization | 510 | 537 |
| Interest expense - net of amount capitalized | 480 | 479 |
| Gain on sale of investments | - | (118) |
| Equity in net earnings of investees | (356) | (186) |
| Interest and other income | (213) | (239) |
| Unrealized gain on financial assets | (14) | (5) |
| Provision for doubtful accounts | 6 | 3 |
| Operating income before changes in working capital | 3,655 | 2,940 |
| Decrease (increase) in : | | |
| Accounts and notes receivable - trade | (2,903) | (557) |
| Real estate inventories | 1,389 | (1,832) |
| Other current assets | (3,133) | (2,538) |
| Increase (decrease) in : | | |
| Accounts and other payables | 1,158 | 1,254 |
| Pension liabilities | (20) | 1 |
| Other current liabilities | 2,170 | (289) |
| Cash generated from operations | 2,316 | (1,020) |
| Interest received | 212 | 277 |
| Income tax paid | (703) | (518) |
| Interest paid - net of amount capitalized | (299) | (365) |
| Net cash provided by (used in) operating activities | 1,526 | (1,627) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from: | | 166 |
| Sale of investments | - | |
| Disposals of (additions to): | | |
| Land and improvements | (3,401) | (442) |
| Investments | (1,263) | (1,469) |
| Property and equipment | (1,225) | (330) |
| Short term investments | 192 | 1,694 |
| Decrease (increase) in: | | |
| Noncurrent accounts and notes receivable - non trade | 206 | (261) |
| Other assets | 140 | 47 |
| Net cash provided by (used in) investing activities | (5,349) | (594) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from (payment of) short-term loans payable | 2,560 | 9,964 |
| Proceeds from (payment of) long-term loans payable | (557) | (583) |
| Increase (decrease) in : | | |
| Deposits and other noncurrent liabilities | 428 | 1,242 |
| Non-controlling interest in consolidated subsidiaries | 3 | (7) |
| Proceeds from capital stock subscriptions | 69 | 48 |
| Dividends paid to minority | (21) | - |
| Dividends paid to equity holders of Ayala Land, Inc. | (1,428) | (955) |
| Net cash provided by (used in) financing activities | 1,054 | 9,709 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,770) | 7,489 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 24,603 | 18,019 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 21,834 | 25,507 |

Ayala Land, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2011 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2011.

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

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

The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), the Group's functional currency, and rounded to the nearest thousands except when otherwise indicated.

On May 9, 2012, the Audit Committee approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of Ayala Land, Inc. and subsidiaries.

2. Accounting Policies

Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of new Standards and Interpretations enumerated below.

Effective 2012

- *PAS 12, Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

- *PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In

addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Effective 2013

- *PFRS 10, Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, which 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.
- *PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance.
- *PAS 19, Employee Benefits (Amendment)*
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 Group is currently assessing the impact of the amendment to PAS 19.
- *PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
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 (c) from the amounts in (d) above.
- *PFRS 11, Joint Arrangements*
PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly

controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.

- *PFRS 12, Disclosures of Interests with Other Entities*

This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- *PFRS 13, Fair Value Measurement*

This standard 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 by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.

- *Revised PAS 27, Separate Financial Statements*

This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9. This Standard is issued concurrently with PFRS 10 and together, the two PFRSs will supersede PAS 27 (as amended in 2008). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

- *Revised PAS 28, Investment in Associates and Joint Ventures*

This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard prescribes the accounting for investments in associates and joint ventures. Equity method is defined in the revised standard as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee. The revised standard is to be applied by all entities that are investors with joint control of, or significant influence or owns 20% to 50% interest over, an investee. This standard supersedes PAS 28 (as revised in 2003). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Effective 2014

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*

These amendments to PAS 32 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. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective 2015

- *PFRS 9, Financial Instruments: Classification and Measurement*

PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed with the completion of this project expected on the first half of 2012. 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 classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. The Group shall conduct in early 2012 another impact evaluation using outstanding balances of financial statements as of December 31, 2011. The Group's decision whether to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012.

3. Principles of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land, Inc. (ALI) and the following wholly owned and majority owned subsidiaries:

| | <u>Effective Ownership</u> |
|--|----------------------------|
| | (%) |
| Real Estate: | 100 |
| Alveo Land Corporation (Alveo) | 39 |
| Serendra, Inc. | 65 |
| Solinea, Inc. (formerly Bigfoot Palms, Inc.) | 28 |
| Serendra, Inc. | 100 |
| Amorsedia Development Corporation and Subsidiaries | 100 |
| OLC Development Corporation | 50 |
| Ayala Greenfield Development Corporation (AGDC) | 100 |
| Avida Land Corporation and Subsidiaries (Avida) | 100 |
| Amaia Land Corporation (formerly First Realty Communities, Inc.) | 100 |
| Ayala Land International Sales, Inc. | 100 |
| Ayala Land Sales, Inc. | 100 |
| BellaVita Land Corporation | 100 |
| Buendia Landholdings, Inc. | 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 |
| Cavite Commercial Center, Inc. | 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. | 100 |
| Nuevo Centro, Inc. | 68 |
| APPCo | 75 |
| Laguna Technopark, Inc. | 70 |
| Aurora Properties Incorporated | 70 |
| Vesta Property Holdings, Inc. | 69 |
| Station Square East Commercial Corporation (SSECC) | 60 |
| Asian I-Office Properties, Inc. (AiO) | 67 |
| Accendo Commercial Corp. | 51 |
| Cagayan de Oro Gateway Corp. (CDO) | 60 |
| Ceci Realty, Inc. | 60 |
| CMPI Holdings, Inc. | 50 |
| ALI-CII Development Corporation (ALI-CII) | 50 |
| BG West Properties, Inc. | 50 |
| Roxas Land Corporation (RLC) | 50 |
| Hotels and Resorts: | 50 |
| Ayala Hotels, Inc. (AHI) | 100 |
| AyalaLand Hotels and Resorts Corporation (AHRC) | 100 |
| Enjay Hotels, Inc. | 100 |
| Greenhaven Property Venture, Inc. | 63 |
| Cebu Insular Hotel Company, Inc. | 60 |
| Ten Knots Phils., Inc. (TKPI) | 60 |
| Ten Knots Development, Corp. (TKDC) | 60 |
| Services: | 100 |
| Makati Development Corporation (MDC) | 100 |
| Ayala Property Management Corporation (APMC) | 100 |
| Ayala Theatres Management, Inc. and Subsidiaries | 100 |
| Others: | 100 |
| Five Star Cinema, Inc. | 50 |
| Leisure and Allied Industries Philippines, Inc. (LAI) | 100 |
| MZM Holdings, Inc. | 100 |
| ALInet.com, Inc. (ALInet) | 100 |
| First Longfield Investments Limited (First Longfield) | 100 |
| (Hongkong Company) | 100 |
| Food Court Company, Inc. | 100 |
| Aprisa Business Process Solutions, Inc. | 100 |
| Studio Ventures, Inc. | 100 |
| Directpower Services, Inc. | 60 |
| Philippine Integrated Energy Solutions, Inc. | 60 |

4. Receivables / Payables

Aging of Receivables (as of March 31, 2012; in Million Pesos)

| | Up to 6 mos. | Over 6 mos. to One Year | Over One Year | Past Due | Total |
|-----------------------|-----------------|----------------------------|------------------|------------|---------------|
| Trade Receivables | 10,484 | 6,070 | 7,909 | 346 | 24,809 |
| Non-Trade Receivables | 5,866 | 631 | 247 | 10 | 8,254 |
| Total | 16,350 | 6,701 | 8,156 | 356 | 33,063 |

Aging of Payables (as of March 31, 2012; in Million Pesos)

| | Up to 6 mos. | Over 6 mos. to One Year | Over One Year | Past Due | Total |
|--------------------|-----------------|----------------------------|------------------|----------|---------------|
| Trade Payables | 9,413 | 5,517 | 6,849 | 0 | 21,779 |
| Non-Trade Payables | 26,681 | 406 | 3,160 | 0 | 30,247 |
| Total | 36,094 | 5,923 | 10,009 | 0 | 52,026 |

5. Short-Term and Long-Term Debt

Short-Term Debt (as of March 31, 2012; in Million Pesos)

| <u>Borrower</u> | <u>Amount</u> |
|-----------------|---------------|
| ALI | 2,441 |
| Avida | 2,047 |
| Vesta | 525 |
| Alveo | 350 |
| LAI | 250 |
| SSECC | 135 |
| LTI | 50 |
| Chirica | 38 |
| Total | 5,835 |

Long-Term Debt (as of March 31, 2012; in Million Pesos / US\$)

| <u>Borrower</u> | <u>Current</u> | | <u>Non-Current</u> | | <u>Total</u> | |
|-----------------|----------------|-------------|--------------------|-------------|---------------|-------------|
| | <u>Peso</u> | <u>US\$</u> | <u>Peso</u> | <u>US\$</u> | <u>Peso</u> | <u>US\$</u> |
| ALI | 351 | - | 18,388 | - | 18,739 | - |
| Accendo | 5 | - | 1,930 | - | 1,935 | - |
| UPN | 360 | - | 1,215 | - | 1,575 | - |
| SSECC | 49 | - | 1,472 | - | 1,521 | - |
| AHRC | 70 | - | 1,176 | 12 | 1,246 | 12 |
| AiO | 4 | - | 1,090 | - | 1,094 | - |
| NBCC | 10 | - | 965 | - | 975 | - |
| ODRPHI | 220 | - | 594 | - | 814 | - |
| CDO | - | - | 811 | - | 811 | - |
| SBTCI | - | - | 570 | - | 570 | - |
| Avida | 488 | - | - | - | 488 | - |
| Glensworth | 42 | - | 371 | - | 413 | - |
| FGREC | 53 | - | 143 | - | 196 | - |
| Sunnyfield | - | - | 153 | - | 153 | - |
| Hillsford | - | - | 103 | - | 103 | - |
| Crestview | - | - | 65 | - | 65 | - |
| Total | 1,652 | - | 29,047 | 12 | 30,699 | 12 |

* Including bonds and FXCNs

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans –
January – March 2012 (in Million Pesos)

| <u>Borrower</u> | <u>Amount</u> | <u>Nature</u> |
|-----------------|---------------|---|
| ALI | 1,123 | availment of new short-term loans and issuance of Homestarter Bonds |
| Alveo | 350 | availment of short-term loans |
| CDO | 316 | availment of long-term loans |
| AHRC | 238 | availment of long-term loans |
| Greenhaven | 205 | availment of long-term loans |
| Accendo | 70 | availment of long-term loans |
| LTI | 50 | availment of short-term loans |
| Total | 2,352 | |

Repayments of Debt and Equity Securities –
January – March 2012 (in Million Pesos)

| <u>Borrower</u> | <u>Amount</u> | <u>Nature</u> |
|-----------------|-------------------|---|
| ALI | 10 | repayment of fixed-rate corporate notes |
| SSECC | 185 | payment of matured short-term and amortization on long-term loans |
| UPN | 68 | amortization on long-term loan |
| ODRPDI | 41 | amortization on long-term loan |
| CIHCI | 18 | amortization on long-term loan |
| FGREC | 10 | amortization on long-term loan |
| Glensworth | 9 | amortization on long-term loan |
| NBCC | 3 | amortization on long-term loan |
| AiO | 1 | amortization on long-term loan |
| Avida | <u>1</u> | amortization on long-term loan |
| Total | <u>345</u> | |

6. Commercial Paper Issuances and Outstanding Balance
(for the quarter ended March 31, 2012)

None.

7. Accounts and Other Payables

The accounts and other payables as of March 31, 2012 is broken down as follows:

| | |
|--------------------|------------------------|
| | (million) |
| Accounts payable | P 23,188 |
| Accrued expenses | 12,144 |
| Taxes payable | 2,843 |
| Retentions payable | 157 |
| Dividends payable | <u>7</u> |
| Total | <u>P 38,339</u> |

8. Segment information

| | YTD-March 2012 | | | | | | | | |
|---|----------------------|------------------|---------|--------------------|----------|-----------|---------|--------------------------|--------------|
| | Property Development | Shopping Centers | Offices | Hotels and Resorts | Services | Corporate | Total | Intersegment Adjustments | Consolidated |
| <i>(in million pesos)</i> | | | | | | | | | |
| Revenues | 7,466 | 1,425 | 654 | 651 | 1,571 | 0 | 11,769 | 0 | 11,769 |
| Sales to external customers | 275 | 119 | 0 | (6) | 2,735 | 0 | 3,123 | (3,123) | 0 |
| Intersegment sales | 255 | 82 | 0 | 0 | 0 | 19 | 356 | 0 | 356 |
| Equity in net earnings of investees | 7,998 | 1,626 | 654 | 645 | 4,306 | 19 | 15,248 | (3,123) | 12,125 |
| Total revenue | 5,575 | 967 | 324 | 412 | 4,029 | 194 | 11,501 | (2,831) | 8,670 |
| Operating expenses | 2,423 | 659 | 330 | 233 | 277 | (175) | 3,747 | (292) | 3,455 |
| Operating profit | | | | | | | | | (405) |
| Interest expense | | | | | | | | | 213 |
| Interest income | | | | | | | | | 52 |
| Other income | | | | | | | | | (74) |
| Other expense | | | | | | | | | (767) |
| Income taxes | | | | | | | | | 2,474 |
| Net income | | | | | | | | | 2,132 |
| Net income attributable to: | | | | | | | | | 342 |
| Equity holders of Ayala Land, Inc. | | | | | | | | | 2,474 |
| Non-controlling interests | | | | | | | | | |
| Other information | | | | | | | | | |
| Segment assets | 110,028 | 29,497 | 23,823 | 6,986 | 17,008 | 14,732 | 202,074 | (55,375) | 146,699 |
| Investment in associates and jointly controlled entities | 9,443 | 2,093 | 0 | 0 | 0 | 1,499 | 13,035 | 0 | 13,035 |
| Deferred tax assets | 426 | 8 | 31 | 12 | 25 | 1,275 | 1,777 | 175 | 1,952 |
| Total assets | 119,897 | 31,598 | 23,854 | 6,998 | 17,033 | 17,508 | 216,886 | (55,200) | 161,686 |
| Segment liabilities | 38,686 | 12,391 | 7,678 | 2,446 | 15,480 | 23,519 | 100,200 | (12,375) | 87,825 |
| Deferred tax liabilities | 352 | 0 | 22 | 0 | 0 | 434 | 808 | (73) | 735 |
| Total liabilities | 39,038 | 12,391 | 7,700 | 2,446 | 15,480 | 23,953 | 101,008 | (12,448) | 88,560 |
| Segment additions to property and equipment and investment properties | | | | | | | | | |
| Depreciation and amortization | | | | | | | | | |
| YTD-March 2011 | | | | | | | | | |
| <i>(in million pesos)</i> | | | | | | | | | |
| Revenues | 6,351 | 1,101 | 573 | 560 | 1,409 | 0 | 9,994 | 0 | 9,994 |
| Sales to external customers | 199 | 122 | 0 | 0 | 1,328 | 0 | 1,649 | (1,649) | 0 |
| Intersegment sales | 77 | 66 | 0 | 0 | 0 | 43 | 186 | 0 | 186 |
| Equity in net earnings of investees | 6,627 | 1,289 | 573 | 560 | 2,737 | 43 | 11,829 | (1,849) | 10,180 |
| Total revenue | 4,620 | 778 | 335 | 380 | 2,612 | 347 | 9,072 | (1,552) | 7,510 |
| Operating expenses | 2,007 | 511 | 238 | 180 | 125 | (304) | 2,757 | (87) | 2,670 |
| Operating profit | | | | | | | | | (484) |
| Interest expense | | | | | | | | | 361 |
| Interest income | | | | | | | | | 49 |
| Other income | | | | | | | | | (127) |
| Other expense | | | | | | | | | (582) |
| Income taxes | | | | | | | | | 1,877 |
| Net income | | | | | | | | | 1,622 |
| Net income attributable to: | | | | | | | | | 255 |
| Equity holders of Ayala Land, Inc. | | | | | | | | | 1,877 |
| Non-controlling interests | | | | | | | | | |
| Other information | | | | | | | | | |
| Segment assets | 90,614 | 24,003 | 25,202 | 5,505 | 10,308 | 8,378 | 164,010 | (42,271) | 121,739 |
| Investment in associates and jointly controlled entities | 8,303 | 2,185 | 0 | 0 | 0 | 788 | 11,276 | 0 | 11,276 |
| Deferred tax assets | 468 | 8 | 54 | 12 | 32 | 1,483 | 1,977 | 46 | 2,023 |
| Total assets | 99,385 | 26,196 | 25,256 | 5,517 | 10,340 | 10,569 | 177,263 | (42,225) | 135,038 |
| Segment liabilities | 28,645 | 9,419 | 6,985 | 905 | 8,144 | 23,142 | 77,240 | (9,233) | 68,007 |
| Deferred tax liabilities | 189 | 0 | 15 | 0 | 399 | 361 | 964 | (361) | 603 |
| Total liabilities | 28,834 | 9,419 | 7,000 | 1,304 | 8,144 | 23,503 | 78,204 | (9,594) | 68,610 |
| Segment additions to property and equipment and investment properties | | | | | | | | | |
| Depreciation and amortization | | | | | | | | | |

Item 2. Management's Discussion on Results of Operations and Analysis of Financial Condition

Results of Operations for the Three Months Ended March 31, 2012

Ayala Land, Inc. (ALI or "the Company") sustained its high growth trajectory in the first quarter of 2012 as net income grew by 31% to P2.13 billion from the P1.62 billion posted in the same period last year. Consolidated revenues for the first quarter reached P12.39 billion, 17% higher than the P10.59 billion posted in the same period last year. Revenues from Real Estate and Hotels increased by 18% to P11.77 billion, comprising bulk of consolidated revenues, largely due to the strong performance of all business lines.

Revenue growth continued to outpace expenses with strong cost-control of project spending and direct operating expenses. The ratio of corporate General and Administrative Expenses (GAE) to revenues declined further to 7.6% from 8.1% last year. With total revenues growing faster than total expenses, net income margin improved to 17% in the first three months of 2012 from 15% in the same period last 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 lots and units, as well as the sale of commercial and industrial lots, posted revenues of P7.51 billion in the first three months of 2012, 18% higher than the P6.34 billion reported during the same period in 2011.

Revenues from the residential segment reached P7.01 billion in the first three months, 21% higher than the same period last year, on the back of a 48% improvement in the value of bookings across the residential brands. Ayala Land Premier (ALP) posted a revenue growth of 30% year-on-year due to the steady completion and significant bookings from the high-value condominium units in Park Terraces Twin in Makati City and Elaro lots in NUVALI. Avida and Amaia likewise recorded revenue growth of 45% and 55% to P1.70 billion and P257 million, respectively, with higher bookings from the success of recent launches such as Avida Towers Prime Taft, Avida Towers 34th Street, Avida Towers Centrio, Avida Parkway Settings NUVALI, Amaia Skies P. Tuazon, Amaia Steps Novaliches and AmaiaScapes Cavite. Alveo meanwhile generated P1.76 billion in revenues, 11% lower compared with the first quarter of 2011 due to the completion of Venare in NUVALI and Senta in Makati City in the first quarter of last year with no equivalent completion for Alveo in the first quarter of 2012.

Sales take-up value for the first three months of the year reached P19.3 billion, equivalent to an average monthly sales take-up of P6.44 billion. This was 49% higher than the record P4.31 billion average monthly sales take-up achieved for the whole of 2011. Residential Gross Profit (GP) margins of horizontal projects improved to 47% from 44% with the price increases in NUVALI projects, while GP margins of vertical developments were stable at 33%. The Company's four residential brands launched a total of 2,693 units in the first quarter of 2012, with a total sales value of P11.3 billion.

Revenues from the sale of commercial and industrial lots declined by 11% in the first three months to P499 million due to lower commercial lot sales in NUVALI compared to last year. GP

margins however improved to 56% from 50% with significant price increases in the NUVALI commercial lots.

Commercial Leasing. Commercial Leasing includes the Company's Shopping Center and Office leasing operations. Total revenues for Commercial Leasing amounted to P2.04 billion during the first three months of 2012, 21% higher than the P1.68 billion recorded in same period last year.

Revenues from Shopping Centers rose by 27% to P1.39 billion during the first three months of 2012 from P1.10 billion in the first quarter of 2011. The first quarter saw a 7% improvement to P1,114 per square meter in monthly average lease rates brought about by negotiated and programmed rental escalations. Occupied gross leasable area (GLA) also expanded by 9% year-on-year with the opening of Abreeza Mall in Davao City in the second quarter of 2011. Same-store sales increased by 10% for both building and land leases buoyed by the strong retail environment. 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 and Alabang Town Center.

Revenues from Office leasing operations increased by 11% to P647 million for the first three months of the year, from P583 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 25% year-on-year (equivalent to 63,558 square meters). Total occupied BPO GLA expanded to 320,793 square meters as of the end of the first quarter, with an average lease-out rate of 86%. Average BPO lease rates increased by 7% year-on-year due to rental escalations in existing buildings. EBITDA margins of the total office portfolio however declined to 78% from 82% as a result of the higher costs associated with the start-up operations of the new BPO buildings.

Hotels and Resorts. Hotels and Resorts currently operates 634 branded hotel rooms between Hotel InterContinental Manila and Cebu City Marriott, and 150 island resort rooms in Lagen, Miniloc and Apulit Island (formerly Club Noah) in the province of Palawan. Revenues of the Hotels and Resorts business improved by 16% to P650 million in the first quarter of 2012 from P560 million in the same period last year largely due to better occupancy rates and REVPAR. Occupancy rates of the two hotels and three resorts were higher by 11 percentage points and 8 percentage points, respectively. REVPAR also improved by 13% to P3,994 for hotels and 51% to P6,327 for resorts. EBITDA margins for Hotels and Resorts, however, slightly declined to 30% from 32% due to the pre-operating expenses of the upcoming Kukun hotels. The Company is currently constructing its first four owner-operated urban lifestyle hotel line called Kukun in Bonifacio Global City, Davao, Cagayan de Oro and NUVALI, two of which are expected to begin operations towards the end of this year.

Services. Services, which include the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of P4.25 billion during the first three months of the year, 58% higher than the P2.69 billion posted in the same period last year. Construction revenues grew by 64% to P3.95 billion due to the higher construction order book from ALI Group projects. Property Management revenues also improved by 7% to P297 million in the first quarter of 2012 from additional carpark management contracts. Blended EBITDA margins for Services slightly declined to 6%. This is however the result of the Company's deliberate move to focus on internal ALI Group projects in its construction operations.

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

Equity in Net Earnings from Investees grew by 91% to P356 million for the first three months of 2012, from P186 million in the same period last year. This resulted from the higher contribution from Fort Bonifacio Development Corporation (FBDC) from its commercial lot sales. Contributing as well were the improved performance of shopping center joint ventures accounted for under the equity method, particularly TriNoma and Alabang Town Center, and affiliates Cebu Holdings, Inc. and Cebu Property Ventures Development Corp. Meanwhile, Interest, Investment and Other income declined by 35% to P265 million largely because there were no one-time gains booked this quarter, compared to the Company's divestment of its ownership stake in ARCH Capital Management Co., Ltd. in March 2011.

Expenses

Total expenses for January to March 2012 amounted to P9.15 billion, 13% more than the P8.12 billion incurred as of end-March 2011. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 16% year-on-year amounting to P7.72 billion. GAE grew by 10% to P939 million due to payroll-related expenses but at a slower pace relative to overall revenue growth, allowing the GAE-to-revenue ratio to decline to 7.6% from 8.1% last year. Interest Expense, Financing and Other Charges meanwhile dropped by 20% year-on-year to P486 million due to lower financing charges despite the higher level of borrowings. The average cost of the Company's consolidated debt decreased to 5.7% in the first quarter this year from 6.7% in the same period last year.

Project and Capital Expenditure

The Company spent a total of P8.0 billion for project and capital expenditures in the first three months of 2012, 40% more than the P5.7 billion spent during the same period in 2011. The bulk of capital expenditures in the first quarter were spent on residential developments (39% of total), land acquisition (38%), shopping centers (13%), hotels and resorts (6%), with the balance spent on BPO offices and other land development activities in the Company's strategic landbank areas. The P8.0 billion spent in the first three months represents 22% of the programmed spending for the year. The Company's target is to spend P37.0 billion in 2012 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 2012 and beyond. Cash and Cash Equivalents stood at Php21.83 billion with a Current Ratio of 1.53: 1. Total Borrowings stood at Php36.53 billion from Php34.53 billion as of December last year, translating to a Debt-to-Equity Ratio of 0.58: 1 and a Net Debt-to-Equity Ratio of 0.23: 1.

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items – 1Q 2012 versus 1Q 2011

18% increase in real estate revenues

Mainly due to higher sales bookings and incremental completion of residential projects.

16% increase in hotel revenues

Primarily due to improved operations of hotels and resorts business.

4% increase in equity in net earnings of investees, interest, fees and other income

Largely due to higher contribution from Fort Bonifacio Development Corporation.

17% increase in real estate costs and 6% increase in hotel expenses

Mainly due to higher real estate revenues and improved hotels and resorts operations.

10% increase in general and administrative expenses

Primarily due to higher payroll costs and benefits.

20% decrease in interest expense, financing and other charges

Mainly due to higher financing charges in 1Q 2011 related to the bond issuance.

29% increase in provision for income tax

Mainly due to higher taxable income.

34% increase in net income attributable to non-controlling interests

Primarily due to higher income from Vesta Property Holdings, Inc. and Ayala Property Corp.

Balance Sheet items – March 31, 2012 versus End-2011

11% decrease in cash and cash equivalents

Mainly due to disbursements for various property acquisitions.

100% decrease in short-term investments

Primarily due to maturity of short-term investments of ALI Parent, Alveo Land and Serendra, Inc.

8% increase in accounts and notes receivables (net)

Largely due to launch of new residential projects and opening of Abreeza Mall.

6% decrease in real estate inventories

Mainly due to incremental project completion of existing and new projects.

45% increase in other current assets

Mainly due to Alveo's prepaid expenses following the acquisition of properties for development, and prepayment of construction materials.

12% increase in non-current accounts and notes receivables

Largely due to higher receivables of residential brands Ayala Land Premier and Avida.

18% increase in land and improvements

Mainly due to new land acquisitions.

34% decrease in available-for-sale financial assets

Primarily due to sale of fixed income securities of ALI Parent.

19% increase in property and equipment (net)

Mainly due to Makati Development Corporation's equipment re-fleeting program, and investment in formworks and precast equipment.

7% decrease in other non-current assets

Largely due to lower deferred charges from ALI-Parent.

26% increase in short-term debt

Mainly due to additional bank loan of ALI Parent.

114% increase in income tax payable

Primarily due to the higher taxable income.

6% increase in current portion of long-term debt

Mainly due to additional bank loans of Avida and ALI-Parent.

193% increase in other current liabilities

Largely due to security deposits of new shopping center tenants.

28% decrease in pension liabilities

Primarily due to lower retirement contributions.

26% decrease in unrealized gain (loss) on available-for-sale financial assets

Primarily due to reclassification to realized gain on sale of fixed income securities AFS.

PART II - OTHER INFORMATION

Item 3. 1Q 2012 Developments

- | | | | | | | | | |
|---|--|--|------|-------------------|-------|--------------------------|--|--------------------|
| A. New project or investments in another line of business or corporation | None. | | | | | | | |
| B. Composition of Board of Directors (as of March 31, 2012) | Fernando Zobel de Ayala Jaime Augusto Zobel de Ayala II Antonino T. Aquino Francis G. Estrada Delfin L. Lazaro Jaime C. Laya Aurelio R. Montinola III Mercedesita S. Nolleto Oscar S. Reyes | Chairman Vice Chairman President & CEO Director Director Director Director Director Director | | | | | | |
| C. Performance of the corporation or result/progress of operations | Please see unaudited consolidated financial statements and management's discussion on results of operations. | | | | | | | |
| D. Declaration of dividends | <u>P0.109488 cash dividend</u> Declaration date: February 20, 2012 Record date: March 7, 2012 Payment date: March 27, 2012 | | | | | | | |
| E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements | None. | | | | | | | |
| F. Offering of rights, granting of Stock Options and corresponding plans therefore | ALI has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Option Plan (ESOWN) covering 2.5% of the company's authorized capital stock. In 2005, the company introduced a revised ESOWN granted to qualified officers. As of March 31, 2012, stock options outstanding* are as follows: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">ESOP</td> <td>23,154,178 shares</td> </tr> <tr> <td>ESOWN</td> <td><u>84,452,122</u> shares</td> </tr> <tr> <td></td> <td>107,600,300 shares</td> </tr> </table> | | ESOP | 23,154,178 shares | ESOWN | <u>84,452,122</u> shares | | 107,600,300 shares |
| ESOP | 23,154,178 shares | | | | | | | |
| ESOWN | <u>84,452,122</u> shares | | | | | | | |
| | 107,600,300 shares | | | | | | | |
- * outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued

- | | |
|--|-------|
| G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate | None. |
| H. Other information, material events or happenings that may have affected or may affect market price of security | None. |
| I. Transferring of assets, except in normal course of business | None. |

Item 4. Other Notes to 1Q 2012 Operations and Financials

- | | |
|---|---|
| J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents | Please see Notes to Financial Statements (Item #7). |
| K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | None. |
| L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities | Please see Notes to Financial Statements (Item #5). |
| M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period | <ul style="list-style-type: none"> - Issuance of P15 billion bonds in two tranches of seven and ten years, with coupon rates of 5.625% and 6.0%, respectively. - Shareholder approval of the redemption of 13 billion in outstanding non-voting preferred shares and the issuance of the same number of voting preferred shares to be done through a stock rights offering. - Listing at the Philippine Dealing and Exchange Corporation of ALI's P15 billion fixed rate callable bonds due 2019 and 2022. |
| N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations | None. |

O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date

None.

P. Other material events or transactions during the interim period

Board approval of the following:

1. Capital restructuring to address the ownership issue

(a) Amendment of Article Seventh of the Company's Articles of Incorporation to make the preferred shares redeemable, and to decrease the authorized capital stock by P1.3 billion through the retirement and elimination, subsequent to their redemption, of the outstanding preferred shares with a total par value of P1.3 billion.

(b) Reclassification of the 1.965 billion unissued preferred shares to voting preferred shares through an amendment of the Article Seventh of the Company's Articles of Incorporation.

(c) Increase in the authorized capital stock by P1.3 billion through additional voting preferred shares and stock rights offer of 13.043 billion voting preferred share from the increase in the authorized capital stock.

2. Issuance of bonds in the amount of P15 billion, with tenors of 7 and 10 years.

3. Declaration of cash dividend of P0.109488 per share to all shareholders as of record date March 7, 2012, payable on March 27, 2012.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

None.

R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

None.

S. Material commitments for capital expenditures, general purpose and expected sources of funds

For year 2012, Ayala Land's consolidated budget for project and capital expenditures amount to P37.0 billion. About 42% is earmarked for residential developments, 24% for land acquisition, 12% for hotels and resorts, 11% for shopping centers, and the balance for offices and other land development activities in the Company's strategic landbank areas. This will be financed through a combination of internally-generated funds, borrowings and pre-selling.

For the first three months of 2012, consolidated project and capital expenditures amounted to P8.0 billion, about 21% of the P37.0 billion budget for the whole year. About 39% was spent for residential projects, 38% for land acquisition, 13% for shopping centers, 6% for hotels and resorts, and the balance spent on offices and other land development activities in the Company's strategic landbank areas.

T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing 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.

U. Significant elements of income or loss that did not arise from continuing operations

None.

V. Causes for any material change/s from period to period in one or more line items of the financial statements

Please see Notes to Financial Statements (Item #7).

W. Seasonal aspects that had material effect on the financial condition or results of operations

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

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

X. Disclosures not made under SEC Form 17-C

None.

Item 5. Performance Indicators

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

| | <i>End-March 2012</i> | <i>End-December 2011</i> |
|-----------------------------------|-----------------------|--------------------------|
| Current ratio ¹ | 1.53:1 | 1.65:1 |
| Debt-to-equity ratio ² | 0.58:1 | 0.55:1 |
| | | |
| | <i>1Q 2012</i> | <i>2011</i> |
| Return on assets ³ | 5.4% ⁵ | 5.2% |
| Return on equity ⁴ | 13.6% ⁵ | 12.0% |

¹ *Current assets / current liabilities*

² *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*

³ *Net income / average total assets*

⁴ *Net income / average stockholders' equity*

⁵ *1Q12 NIAT annualized/average of end Mar-12 and end Dec-11 assets and equity*

SIGNATURE

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

Issuer: **AYALA LAND, INC.**

By:

A handwritten signature in black ink, appearing to read "Jaime E. Ysmael", with a long, sweeping flourish extending to the right.

Jaime E. Ysmael
Senior Vice President and Chief Finance Officer

Date: May 9, 2012