

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)

September 30, 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 September 30, 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 September 30, 2012

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	13,751,209,776
Voting Preferreds	13,066,494,759

Amount of Debt Outstanding
P20.2 billion Bonds

11. Are any or all of the securities listed on a Stock Exchange?
Yes 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 Balance Sheets
For the Nine Months ended September 30, 2012 and December 31, 2011
(in million pesos)

	September 2012 Unaudited	December 2011 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	47,337	24,603
Short-term investments	67	192
Accounts and notes receivable - net	34,477	21,578
Real estate inventories	19,559	21,909
Other current assets	9,606	7,035
Total Current Assets	111,046	75,317
Noncurrent Assets		
Non-current accounts and notes receivable	9,010	7,294
Land and improvements	25,891	18,737
Investments in associates and jointly controlled entities	13,943	12,626
Available-for-sale financial assets	464	710
Investment properties - net	34,311	30,490
Property and equipment - net	7,855	5,395
Deferred tax assets - net	2,213	1,949
Other noncurrent assets	2,308	2,101
Total Noncurrent Assets	95,995	79,303
	207,041	154,619
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	45,211	38,129
Short-term debt	8,564	4,639
Income tax payable	208	180
Current portion of long-term debt	6,418	1,557
Other current liabilities	2,876	1,125
Total Current Liabilities	63,277	45,629
Noncurrent Liabilities		
Long-term debt - net of current portion	40,317	28,335
Pension liabilities	81	72
Deferred tax liabilities - net	805	744
Deposits and other noncurrent liabilities	11,498	7,334
Deferred credits	1,272	462
Total Noncurrent Liabilities	53,973	36,947
Total Liabilities	117,250	82,577
Equity		
Equity Attributable to Equity Holders of Ayala Land, Inc.		
Paid-up capital	34,002	18,960
Retained earnings	47,641	43,926
Stock options outstanding	205	232
Unrealized gain(loss) on available-for-sale financial asset	38	54
Other reserves	9	9
Treasury Stock	(2,127)	(824)
	79,768	62,357
Non-controlling interests	10,024	9,686
	89,792	72,043
	207,041	154,619



Ayala Land, Inc. and Subsidiaries
Consolidated Statements of Income
For the Three Months and Nine Months Ended September 30, 2012 and September 30, 2011
(in million pesos, except earnings per share)

	2012 Unaudited		2011 Unaudited	
	July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
REVENUE				
Real estate	12,535	35,080	10,303	29,192
Hotel operations	536	1,806	517	1,620
Equity in net earnings of investees, interest, fees, investment and other income	928	2,127	557	1,817
	13,998	39,014	11,377	32,630
COSTS AND EXPENSES				
Real estate	8,697	23,205	7,062	19,689
Hotel operations	342	1,064	342	1,042
General and administrative expenses	883	2,885	685	2,425
Interest expense and other financing charges	591	1,549	421	1,295
Other charges	14	231	80	361
	10,526	28,934	8,590	24,813
INCOME BEFORE INCOME TAX	3,472	10,080	2,787	7,817
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	703	2,317	690	1,678
Deferred	214	173	35	207
	917	2,490	725	1,885
NET INCOME	2,554	7,590	2,062	5,932
Net Income(Loss) Attributable to :				
Equity holders of Ayala Land, Inc.	2,292	6,617	1,847	5,228
Minority interests	263	972	215	704
	2,554	7,590	2,062	5,932
Earnings per Share				
Basic *	0.17	0.50	0.14	0.40
Diluted **	0.17	0.50	0.14	0.40

* Based on 13,185,375,569 and 13,036,821,973 weighted average number of shares as of 9M 2012 and 9M 2011, respectively

** Based on 13,210,052,978 and 13,057,614,645 weighted average number of shares as of 9M 2012 and 9M 2011, respectively



Ayala Land, Inc. and Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income
(in millions)

	2012 Unaudited		2011 Unaudited	
	July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
NET INCOME FOR THE PERIOD	2,554	7,590	2,062	5,932
Other comprehensive income				
Net unrealized gain(loss) on available-for-sale financial assets	-	(16)	4	6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,554	7,574	2,066	5,938
Total comprehensive income attributable to :				
Equity holders of the parent	2,291	6,602	1,851	5,234
Minority Interest	263	972	215	704
	2,554	7,574	2,066	5,938



Ayala Land, Inc. and Subsidiaries
Consolidated Statement of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 2012 and September 30, 2011
(in million pesos)

	January to September 2012 Unaudited	January to September 2011 Unaudited
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.		
CAPITAL STOCK		
Issued		
Balance at beginning of year	13,023	13,012
Issuance of shares	701	8
Stock options exercised	3	-
Balance at end of year	13,727	13,020
Subscribed		
Balance at beginning of year	100	96
Issuance of shares	(22)	(8)
Stock options exercised	26	14
Balance at end of year	104	103
Preferred Shares - P0.10 par value		
Issuance of shares	2,610	1,303
Balance at end of the year	2,610	1,303
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	4,887	4,614
Stock options exercised	13,252	197
IFRS 2- Adjustment on Share-based payment	-	52
Balance at end of year	18,139	4,863
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(353)	(345)
Subscriptions	(405)	(184)
IFRS 2-Adjustment on Share-based payments	-	50
Collections	180	100
Balance at end of year	(578)	(379)
TOTAL PAID-UP CAPITAL	34,002	18,911
STOCK OPTIONS		
Balance at beginning of year	232	203
Stock options exercised	(28)	21
Balance at end of year	205	223
TREASURY STOCK	(2,127)	(824)
RETAINED EARNINGS		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year	37,926	32,757
Cash dividends	(2,902)	(1,972)
Net income	6,617	5,228
Balance at end of year	41,641	36,013
Other reserves	9	
	47,650	42,013
UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		
FINANCIAL ASSETS	38	42
	79,768	60,365
NON-CONTROLLING INTERESTS		
Balance at beginning of year	9,686	8,613
Net income(loss)	972	704
Increase/(Decrease) in minority interest	(575)	581
Dividends paid to non-controlling interests	(59)	(56)
	10,024	9,841
	89,792	70,207



Ayala Land, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months ended September 30, 2012 and September 30, 2011
(in million pesos)

	January to September 2012 Unaudited	January to September 2011 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	10,080	7,817
Adjustments for:		
Depreciation and amortization	1,661	1,690
Interest and other charges - net of amount capitalized	1,551	1,289
Gain on sale of investments	-	(118)
Equity in net earnings of investees	(834)	(686)
Interest and other income	(894)	(916)
Unrealized gain on financial assets	(16)	1
Provision for doubtful accounts	1	3
Operating income before changes in working capital	11,549	9,079
Decrease (increase) in :		
Accounts and notes receivable - trade	(12,875)	(3,871)
Real estate inventories	2,350	(3,736)
Other current assets	(2,572)	(2,875)
Increase (decrease) in :		
Accounts and other payables	7,562	5,324
Pension liabilities	8	(1)
Other current liabilities	1,752	559
Cash generated from operations	7,774	4,478
Interest received	877	955
Income tax paid	(2,462)	(2,103)
Interest paid - net of amount capitalized	(1,043)	(1,030)
Net cash provided by (used in) operating activities	5,146	2,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	-	166
Disposals of (additions to):		
Land and improvements	(7,154)	(779)
Investments	(4,972)	(4,244)
Property and equipment	(3,206)	(1,575)
Short term investments	125	1,646
Decrease (increase) in:		
Noncurrent accounts and notes receivable - non trade	(1,724)	(799)
Other assets	(471)	(26)
Net cash provided by (used in) investing activities	(17,402)	(5,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term / long-term loans	22,613	11,636
Payments of short-term / long-term loans	(1,844)	(2,687)
Increase (decrease) in :		
Deposits and other noncurrent liabilities	4,046	1,847
Minority interest in consolidated subsidiaries	(575)	581
Proceeds from capital stock subscriptions	15,015	250
Purchase of treasury shares	(1,303)	
Dividends paid to minority	(59)	(56)
Dividends paid to equity holders of Ayala Land, Inc.	(2,902)	(1,972)
Net cash provided by (used in) financing activities	34,990	9,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,734	6,290
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,603	18,019
CASH AND CASH EQUIVALENTS AT END OF PERIOD	47,337	24,309

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 November 7, 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. The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group. All financial assets and financial liabilities are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs.

The Group classifies its financial assets in the following categories: AFS financial assets and loans and receivables. The Group classifies its financial liabilities depending on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income under the "Other charges" account. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise these are classified as noncurrent assets.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are measured at fair value.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized gain on available-for-sale financial assets" in the equity section of the consolidated statement of financial position.

Other financial liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

Fair Value Hierarchy

As at December 31, 2011, quoted AFS financial assets have been measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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.

The company has conducted an assessment of PFRS 10 impact on its jointly controlled entities and associates. It was concluded that the company has control over Cebu Holdings, Inc (CHI) with 47.26% ownership, North Triangle Depot Commercial Corporation (NTDCC) with 49.29% ownership, on the basis of de facto control and existence of management contract which allows ALI to direct the relevant activities and give rights to variable returns. The company also has been assessed to have control over Alabang Commercial Corporation (ACC) with 50% ownership, on the basis of existence of management contract which allows ALI to direct the relevant activities and give rights to variable returns.

- *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.

The company has conducted an assessment of PFRS 11 impact 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., Berkshires Holdings, Inc. will be treated as Joint Ventures per PFRS 11, Joint Arrangement. The Standard has no impact in the Company’s financial statements as the Company already accounts for its investment in jointly controlled entities using the equity method.

- 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. The Company will comply with this Standard starting January 2013. Other than additional disclosures, the Standard has no significant impact on the financial statements of the Company.
- 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. The Company is yet to implement PFRS 13 (fair value measurement) by January 1, 2013 and would want to consider the key implications of PFRS 13 in its overall assessment.
- 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 in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The Company's assessment of impact of PFRS 9 is still in progress and no early adoption will be made as of the 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.

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:	(%)
Alveo Land Corporation (Alveo)	100
Serendra, Inc.	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	65
Serendra, Inc.	28
Amorsedia Development Corporation and Subsidiaries	100
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
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.	100
APPCo	68
Laguna Technopark, Inc.	75
Aurora Properties Incorporated	70

Vesta Property Holdings, Inc.	70
Station Square East Commercial Corporation (SSECC)	69
Asian I-Office Properties, Inc. (AiO)	60
Accendo Commercial Corp.	67
Cagayan de Oro Gateway Corp. (CDO)	51
Ceci Realty, Inc.	60
CMPI Holdings, Inc.	60
ALI-CII Development Corporation (ALI-CII)	50
BG West Properties, Inc.	50
Roxas Land Corporation (RLC)	50
Hotels and Resorts:	
Ayala Hotels, Inc. (AHI)	50
AyalaLand Hotels and Resorts Corporation (AHRC)	100
Enjoy Hotels, Inc.	100
Greenhaven Property Venture, Inc.	100
Cebu Insular Hotel Company, Inc.	63
Ten Knots Phils., Inc. (TKPI)	60
Ten Knots Development, Corp. (TKDC)	60
Services:	
Makati Development Corporation (MDC)	100
Ayala Property Management Corporation (APMC)	100
Ayala Theatres Management, Inc. and Subsidiaries	100
Others:	
Five Star Cinema, Inc.	100
Leisure and Allied Industries Philippines, Inc. (LAI)	50
MZM Holdings, Inc.	100
ALInet.com, Inc. (ALInet)	100
First Longfield Investments Limited (First Longfield)	
(Hongkong Company)	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 Corporation	100
Aduage Commercial Corporation	100

4. Receivables / Payables

Aging of Receivables (as of September 30, 2012; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	20,457	5,321	8,850	201	34,829
Non-Trade Receivables	7,047	1,451	160	0	8,658
Total	27,504	6,772	9,010	201	43,487

Aging of Payables (as of September 30, 2012; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	14,703	4,937	10,516	0	30,156
Non-Trade Payables	27,916	739	3,139	0	31,794
Total	42,619	5,676	13,655	0	61,950

5. Short-Term and Long-Term Debt

Short-Term Debt (as of September 30, 2012; in Million Pesos)

Borrower	Amount
Ayala Land, Inc.	1,400
Alveo Land Corp.	2,150
Amaia Land Corp.	600
Avida Land Corp	3,433
Chirica Resorts Corporation	36
Leisure and Allied Phils	220
UP North Property Holdings, Inc	200
Vesta Property Holdings Inc.	525
Total	8,564

Long-Term Debt (as of September 30, 2012; in Million Pesos / US\$)

	Current Portion	Non- Current Portion	Total
Ayala Land, Inc.	5,177	28,821	33,998
Accendo Commercial Corp	19	2,226	2,245
Asian I-Office	55	1,038	1,093
Bonifacio Hotel Ventures, Inc.	-	364	364
Cagayan de Oro Gateway Corp	-	1,351	1,351
Cebu Insular Hotels	70	88	158
Crestview E-Office Corporation	6	59	65
First Gateway Real Estate Corp	98	72	170
Glensworth Development, Inc	54	340	394
Greenhaven Property Ventures, Inc.	-	783	783
Hillsford Property Corp.	9	94	103
NorthBeacon Commercial Corp	10	960	970
Northgate Hotel Ventures, Inc.	-	155	155
One Dela Rosa Property Development, Inc	407	297	704
Southcrest Hotel Ventures, Inc.	-	212	212
Station Square East Commercial Corp	50	1,447	1,497
Subic Bay Town Center, Inc	-	881	881
Sunnyfield E-Office Corporation	14	139	153
UP North Property Holdings, Inc	450	990	1,440
Total	6,419	40,316	46,735

** Including bonds and FXCNs*

Issuances, Repurchases and Repayments of Debt and Equity Securities

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

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	16,345	issuance of notes and bonds, and availment of new short-term loans
Accendo	380	availment of long-term loan
Alveo	2,150	availment of short-term loans
Amaia	600	availment of short-term loans
Avida	1,586	availment of short-term loans
BHVI	205	availment of long-term loan
CDO	856	availment of long-term loan
Greenhaven	465	availment of long-term loan
LTI	50	availment of short-term loan
Northgate	88	availment of long-term loan
Southcrest	157	availment of long-term loan
SSECC	233	availment of short-term loans
SBTCI	311	availment of long-term loan
UPN	200	availment of short-term loan
Total	<u>23,626</u>	

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

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	1,010	repayment of fixed-rate corporate notes
AiO	<u>3</u>	amortization on long-term loan
Avida	689	payment of matured short-term and amortization on long-term loan
CIHCI	52	amortization on long-term loan
FGREC	37	amortization on long-term loan
Glensworth	29	amortization on long-term loan
LAI	30	payment of matured short-term loan
LTI	50	payment of matured short-term loan
NBCC	8	amortization on long-term loan
ODRPDI	151	amortization on long-term loan
SSECC	578	payment of matured short-term and amortization on long-term loans
UPN	202	Payment of matured short-term and amortization on long-term loans
Total	<u>2,839</u>	

6. Commercial Paper Issuances and Outstanding Balance **(for the quarter ended September 30, 2012)**

None.

7. Accounts and Other Payables

The accounts and other payables as of September 30, 2012 is broken down as follows:

	(million)
Accounts payable	P 27,094
Accrued expenses	14,175
Taxes payable	2,382
Dividends payable	1,434
Retentions payable	<u>126</u>
Total	<u>P 45,211</u>

8. Segment information

YTD-September 2012
(in million pesos)

	Shopping Centers	Corporate Businesses	LTI	Residential Development	Strategic Landbank Management	Vismin	Support Businesses	Hotels & Resort	Construction	Corporate	Total	Intersegment Adjustments	TOTAL
Revenues													
Sales to external Customers	4,179	2,014	110	20,383	3,283	159	951	1,806.00	4,002	0	36,887	0	36,887
Intersegment Sales	295	0	0	92	192	0	9	0	9,691	0	10,279	(10,279)	0
Equity in net earnings	248	0	0	64	311	197	0	0	0	14	834	0	834
Total revenue	4,722	2,014	110	20,539	3,786	356	960	1,806	13,693	14	48,000	(10,279)	37,721
Results													
Operating Expenses (rev.GAE & COS)	2,449	1,002.0	79.00	15,827.00	1,721	242	958	1,207	12,865	788	37,158	(10,003)	27,155
Conso Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating profit	2,273	1,012	31	4,712	2,065	114	2	599	808	(774)	10,842	(276)	10,566
Interest Expense													(1,549)
Interest Income													902
Other Income													391
Other Expense													(231)
Income Taxes													(2,490)
Net income before income associated with noncurrent assets held for sale													7,589
Income associated with noncurrent assets held for sale (net of tax)													0
Net income													7,589
Net income attributable to stockholders of the parent													6,617
Net income attributable to minority interest													972
													7,589

	SHOPPING CENTERS	SERVICES	HOTELS & RESORTS	CONSTRUCTION	CORPORATE BUSINESS	LTI	RESIDENTIAL	LANDSBANK	VISMIN	INTERNATIONAL	CORPORATE	TOTAL	CONSO. ADJUSTMENT	TOTAL
Segment Assets	36,140	1,952	8,083	20,182	25,274	660	119,082	16,107	1,851	3,155	23,898	256,354	(65,489)	190,865
Investment in Equity method associates	2,421	0	0	0	300	0	515	6,751	2,462	1,494	0	13,943	0	13,943
Deferred tax assets	8	12	11	13	35	0	203	184	0	0	976	1,452	761	2,213
Total assets	38,569	1,964	8,094	20,195	25,609	660	119,800	23,052	4,313	4,649	24,874	271,779	(64,738)	207,041
Segment liabilities	14,180	1,034	3,156	17,301	7,414	234	43,384	4,280	364	8	40,440	131,785	(15,341)	116,444
Deferred tax liabilities	0	0	0	0	24	0	377	30	0	0	1	432	373	805
Total liabilities	14,180	1,034	3,156	17,301	7,438	234	43,761	4,310	364	8	40,441	132,217	(14,968)	117,249
Capital Expenditures:														
Segment additions to property and equipment	113	748	1,456	705	2	13	118	60	0	0	5	3,221	0	3,221
Segment additions to investment properties	4,605	0	0	0	343	0	0	0	0	0	0	4,948	0	4,948
Depreciation & amortization	627	37	130	164	426	0	182	2	3	0	90	1,661	0	1,661

YTD-September 2011
(in million pesos)

	Shopping Centers	Corporate Businesses	LTI	Residential Development	Strategic Landbank Management	Viamin	Support Businesses	Hotels & Resort	Construction	Corporate	Total	Intersegment Adjustments	TOTAL
Revenues													
Sales to external Customers	3,402	1,794	90	16,189	2,484	69	851	1,620.00	4,212	0	30,811	0	30,811
Intersegment Sales	294	0	0	226	103	0	134		5,428	0	6,185	(6,185)	0
Equity in net earnings	211	0	0		254	146				75	686		686
Total revenue	4,007	1,794	90	16,415	2,841	215	985	1,620	9,640	75	37,682	(6,185)	31,497
Results													
Operating Expenses (rev.GAE & COS)	2,414	1,018.0	65.00	11,953.00	1,168	192	844	1,144	9,148	1,038	28,974	(5,814)	23,160
Conso Adjustment	0			0	0					0			
Operating profit	1,593	776	25	4,462	1,673	33	141	476	492	(963)	8,708	(371)	8,337

Interest Expense	(1,295)
Other Income	848
Other Income	284
Other Expense	(359)
Income Taxes	(1,886)
Net income before income associated with noncurrent assets held for sale	5,531
Income associated with noncurrent assets held for sale (net of tax)	0
Net income	5,531

Net income attributable to stockholders of the parent	6,228
Net income attributable to minority interest	703
	5,531

	SHOPPING CENTERS	PROPERTY DEVELOPMENT	OFFICES	HOTELS & RESORTS	Services	CORPORATE	TOTAL	Intersegment Adjustments	Consolidated
Segment Assets	27,867	103,206	22,440	7,598	14,011	3,812	178,934	(49,290)	129,644
Investment in Equity method associates	2,150	8,581	0	0	0	1,526	12,257	0	12,257
Deferred tax assets	9	393	38	12	32	1,370	1,854	3	1,857
Total assets	30,026	112,180	22,478	7,610	14,043	6,708	193,045	(49,287)	143,758
Segment liabilities	10,310	32,298	7,563	1,617	11,406	21,505	84,699	(11,658)	73,041
Deferred tax liabilities	0	102	1	0	0	403	506	5	511
Total liabilities	10,310	32,400	7,564	1,617	11,406	21,908	85,205	(11,653)	73,552
Capital Expenditures:									
Segment additions to property and equipment & investment properties	2,099	95	2,080	828	392	88	5,582	0	5,582
Depreciation & amortization	748	153	452	148	82	105	1,689	0	1,689

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

Results of Operations for the Nine Months Ended September 30, 2012

Ayala Land, Inc. (ALI or “the Company”) maintained its strong earnings trajectory trend in the first nine months of 2012 as net income grew by 27% to P6.62 billion from the P5.23 billion registered in the same period last year. Consolidated revenues for the first nine months reached P39.01 billion, 20% higher than the P32.63 billion posted in the same period in 2011. Revenues from Real Estate and Hotels, which comprised the bulk of consolidated revenues, increased by 20% to P36.89 billion with all business lines contributing to revenue expansion.

Revenue growth continued to outpace expenses with continued control of project spending and direct operating expenses. The ratio of corporate General and Administrative Expenses (GAE) to revenues remained at 7.4% year-on-year. With total revenues growing faster than total expenses, net income margin improved to 20% in the first nine months of 2012 from 18% 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 consists of the sale of residential units, as well as the sale of commercial and industrial lots, posted revenues of P23.91 billion in the first nine months of 2012, 27% higher than the P18.80 billion reported during the same period in 2011.

Revenues from the residential segment hit P22.32 billion in the first nine months, 27% higher than the same period last year, driven by strong sales and continued construction of projects across all residential brands. Ayala Land Premier (ALP) recorded a revenue growth of 10% year-on-year to P8.07 billion due to the strong sales of Elaro lots in NUVALI and Anvaya lots in Bataan. Alveo’s revenues reached P5.20 billion steered by the first towers of The Maridien in Bonifacio Global City, Solinea in Cebu and phase one of Kasa Luntian in Tagaytay City. Avida and Amaia likewise posted revenue growth of 65% and 109% to P6.10 billion and P1.01 billion, respectively, with booking contributions from new projects such as Avida Towers Centera, Avida Towers 34th Street, Avida Parkway Settings NUVALI and Bacolod as well as new projects launched in Cavite, Lipa, Novaliches, Cubao, Sta. Mesa and Avenida.

Sales take-up value for the first nine months of the year reached P57.85 billion, equivalent to an average monthly sales take-up of P6.43 billion. This was 49% higher than the P4.31 billion average monthly sales take-up achieved for the same period last year. Residential gross profit (GP) margins of vertical projects improved to 35% from 32% with the continued cost management initiatives complemented by price adjustments, while GP margins of horizontal developments declined marginally to 46% from 47% due to the increasing share of lower priced residential products. However, tax incentives for the economic and socialized housing sector make up for the lower GP margins and allow these business units to achieve net income margins that are comparable to the more premium segments. The Company’s four residential brands launched a total of 13,057 units in the first nine months of 2012, with the programmed schedule of launches for the rest of the year remaining on track.

Revenues from the sale of commercial and industrial lots reached P1.59 billion in the first nine months, 26% higher than the same period last year, mainly due to the sale of 18 commercial lots in NUVALI, and 7 commercial lots in Bonifacio Global City . GP margins however dropped to 50% from 52% with the lower selling price of institutional raw land sold in NUVALI.

Commercial Leasing. Commercial Leasing pertains to the Company's Shopping Center and Office leasing operations. Total revenues for Commercial Leasing amounted to P6.34 billion during the first nine months of 2012, 19% higher than the P5.33 billion recorded in same period last year.

Revenues from Shopping Centers rose by 19% to P4.18 billion during the first nine months of 2012, marked by higher lease rates and increase in occupied space with the opening of Harbor point in Subic. The first nine months saw a 5% improvement of average building lease rates to P1,086 per square meter brought about by negotiated and programmed rental escalations. Occupied gross leasable area (GLA) also expanded by 10% year-on-year to 1.1 million square meters. Same-store sales went up 10%, with building and land leases increasing by 5% and 14%, respectively, buoyed by the strong retail environment. Shopping Centers EBITDA margins rose to 60% due to improving operations across all malls.

Revenues from Office leasing operations increased by 19% to P2.17 billion for the first nine months of the year, from P1.82 billion 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 16% year-on-year. Total occupied BPO GLA expanded to 346,000 square meters as of the end of the first nine months, with an average lease-out rate of 86%. Average BPO lease rates also increased by 3% year-on-year due to the combined effect of new leases and rental escalations in existing buildings. EBITDA margins of the total office portfolio increased to 82% from 80% as a result of strong performances of both business process outsourcing and headquarter type 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 11% to P1.81 billion in the first nine months of 2012 from P1.62 billion in the same period last year largely due to better revenue per available room (REVPAR). Occupancy rates of the two hotels and three resorts were higher by 7 percentage points and 2 percentage points, respectively. Hotel REVPAR also improved by 10% to P3,711, while the resorts portfolio posted a 41% REVPAR increase to P5,214. EBITDA margins for Hotels and Resorts came in slightly lower at 27% from 28% year-on-year mainly attributed to start-up costs for Seda hotels. The Company is currently constructing the first four owner-operated urban lifestyle hotel line called Seda 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 (before inter-company eliminations) of P14.64 billion during the first nine months of the year, 40% higher than the P10.49 billion posted in the same period last year. Gross construction revenues grew by 42% to P13.69 billion due to the higher construction order book from ALI Group projects. Property Management revenues also improved by 12% to P950 million in the first nine months of 2012 from additional management contracts. Blended EBITDA margin for Services remains steady at 6%.

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

Equity in Net Earnings from Investees grew by 22% to P834 million for the first nine months of 2012, from P686 million in the same period last year. This resulted from the stronger performance of shopping center joint ventures accounted for under the equity method, particularly TriNoma, Bonifacio Global South and Bonifacio Global West. Moreover, Interest, Investment and Other income increased by 6% to P902 million largely because of higher interest income from money market placements.

Expenses

Total expenses for the first nine of 2012 amounted to P28.93 billion, 17% more than the P24.81 billion incurred in the first nine months of 2011. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose by 17% year-on-year amounting to P24.27 billion. General and administrative expenses (GAE) grew by 20% to P2.90 billion due to manpower-related expenses, but at a slower pace relative to overall revenue growth. This allowed the GAE-to-revenue ratio to remain flat at 7.4% year-on-year. Interest Expense, Financing and Other Charges increased by 7% year-on year to P1.77 billion, mostly due to increased financing charges associated with the additional P15.0 billion in fixed-rate corporate bonds issued by the Company in April 2012. Average cost of the Company's consolidated debt decreased to 5.6%, from 6.5% in the same period last year.

Project and Capital Expenditure

The Company spent a total of P34.9 billion for project and capital expenditures in the first nine months of 2012, 73% more than the P20.2 billion spent during the same period in 2011. The bulk of capital expenditures in the first nine months were spent on residential developments (31% of total), land acquisition (44%), shopping centers (11%), hotels and resorts (9%), with the balance spent on BPO offices and other land development activities. The P34.9 billion spent in the first nine months represents 94% of the programmed spending of P37.0 billion for the year. The Company, however, expects to spend an additional P33.0 billion on unbudgeted property acquisitions until year-end, which will ensure the pipeline of value-accretive projects beyond the current five-year plan.

Financial Condition

The Company's balance sheet remained strong and geared for further growth in 2012 and beyond. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the recent P15.0 billion fixed rate bond issuance brought Cash and Cash Equivalents to P47.40 billion, which brought the Company's Current Ratio to 1.75: 1. Total Borrowings stood at P55.30 billion from P34.53 billion as of December 2011, translating to a Debt-to-Equity Ratio of 0.69: 1 and a Net Debt-to-Equity Ratio of 0.10: 1.

Financial Risk Assessment

Liquidity risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

Credit risk

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of post dated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

Interest rate risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio.

Foreign currency risk

Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies and the amount of foreign currency-denominated debt are minimal. As such, the Group's foreign currency risk is minimal.

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

Income Statement items – 9M 2012 versus 9M 2011

20% increase in real estate revenues

Primarily driven by higher sales and better performance across core businesses

11% increase in hotel revenues

Mainly due to improved hotels and resorts operations.

17% increase in equity in net earnings of investees, interest, fees and other income

Related to management fees and higher earnings of associate entities

17% increase in real estate costs

Mainly due to higher real estate revenues.

19% increase in general and administrative expenses

Primarily due to increased compensation and benefits costs.

8% increase in interest expense, financing and other charges

Mainly due to higher corporate note issuance cost offset by amortized cost of bond in 2012 versus last year's one time booking

32% increase in provision for income tax

Mainly due to higher taxable income.

38% increase in net income attributable to non-controlling interests

Primarily due to higher income from Vesta Property Holdings, Inc. and Ceci Realty Inc and Accendo Inc.

Balance Sheet items – September 30, 2012 versus End-2011

92% increase in cash and cash equivalents

Mainly due to proceeds from bond issuances and collection from new projects.

65% decrease in short-term investments

Primarily due to maturity of short-term investments.

60% increase in accounts and notes receivables (net)

Largely due to launch of new residential projects.

11% decrease in real estate inventories

Mainly due to sale of residential lots and units.

37% increase in other current assets

Mainly due to Alveo's prepayments for the acquisition of properties for development.

24% increase in non-current accounts and notes receivables

Largely due to higher receivables from Ayala Land Premier and Avida residential projects.

38% increase in land and improvements

Mainly due to new land acquisitions.

10% increase in investments in associates and jointly controlled entities

Mainly due to newly acquired investments such as Adauge Comm Corporation and Varejo Corporation coupled with higher earnings of associates

35% decrease in available-for-sale financial assets

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

13% increase in investment properties (net)

Primarily due to completion of malls and office buildings.

46% increase in property and equipment (net)

Mainly due to incremental completion of Phil Energy plants and Makati Development Corporation's equipment re-fleeting program.

14% increase in deferred tax assets (net)

Mainly due to realization of gains on real estate sales.

10% increase in other non-current assets

Largely due to investments for possible land acquisitions.

19% increase in accounts and other payables

Primarily due to increase in trade payables with the completion of projects.

85% increase in short-term debt

Mainly due to additional bank loans of residential subsidiaries.

16% increase in income tax payable

Primarily due to the higher taxable income.

312% increase in current portion of long-term debt

Mainly due to additional loans of ALI Parent.

156% increase in other current liabilities

Largely due to increased customer deposits

42% increase in long-term debt - net of current portion

Primarily due to fixed-rate corporate notes issued by ALI Parent.

11% increase in pension liabilities

Primarily due to higher retirement contributions.

8% increase in deferred tax liabilities (net)

Largely due to reclassification of accounts.

64% increase in deposits and other noncurrent liabilities

Mainly due to security deposits of new shopping center tenants.

79% increase in paid-up capital

Mainly due to issuance of additional preferred shares.

12% decrease in stock options outstanding

Largely due to payment of subscriptions by officers.

29% 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.

13% increase in retained earnings

Primarily due to increase in income.

PART II - OTHER INFORMATION

Item 3. 3Q 2012 Developments

- A. New project or investments in another line of business or corporation None.
- B. Composition of Board of Directors (as of September 30, 2012)
- | | |
|---------------------------------|-----------------|
| Fernando Zobel de Ayala | Chairman |
| Jaime Augusto Zobel de Ayala II | Vice Chairman |
| Antonino T. Aquino | President & CEO |
| Mercedita S. Nolleto | Director |
| Francis G. Estrada | Director |
| Delfin L. Lazaro | Director |
| Jaime C. Laya | Director |
| Aurelio R. Montinola III | Director |
| Oscar S. Reyes | 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 P0.10385223 cash dividend
Declaration date: August 24, 2012
Record date: September 17, 2012
Payment date: October 8, 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 September 30, 2012, stock options outstanding* are as follows:
- | | |
|-------|---------------------------|
| ESOP | 17,780,894 shares |
| ESOWN | <u>100,133,347</u> shares |
| | 117,914,241 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 9M 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 #4).

M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

- Ayala Land Inc., through Ayala Land Hotels and Resorts Corporation, acquired an 80% equity stake of Kingdom Holdings Incorporated in the Fairmont Hotel and Raffles Suites and Residences.
- Ayala Land Inc. issued the first tranche , amounting to Php1 billion , of the 3-year Fixed Rate 5% Homestarter Bonds with an aggregate principal amount of up to Php3 billion
- Ayala Land Inc., through SIAL CVS Retailers Inc., signed a Shareholders Agreement with FamilyMart Co. Ltd., and Itochu Corporation for the development and operations of FamilyMart convenience stores in the Philippines.

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 (3Q2012)

- SEC 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 13.066 billion voting preferred share from the increase in the authorized capital stock.
- Redemption of outstanding preferred shares effective July 16, 2012 from shareholders of record as of June 4, 2012.
- Executive Committee approval on the placement of 680,000,000 listed common shares of the Company with par value of P1.00 per share at a price of P20 per share and the issuance of the Company's equal number of new shares at the same price, with Ayala Corporation as the seller of the placement tranche and subscriber of the subscription tranche. The Company completed the top-up placement, raising an aggregate of P13.6 billion in paid up capital.
- ALI was awarded as winning bidder for the government's sale of the 74-hectare Food Terminal Incorporated property in Taguig City.

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. However, due to attractive opportunities presented by the market, full year consolidated budget for project and capital expenditures is projected to reach P70.0 billion.. This will be financed through a combination of internally-generated funds, borrowings and pre-selling.
- For the first nine months of 2012, consolidated project and capital expenditures amounted to P34.9 billion, about 50% of the projected P70.0 billion budget for the whole year. About 31% was spent for residential projects, 44% for land acquisition, 11% for shopping centers, 9% 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 remain parallel to the country's overall economic standing. Interest rate fluctuations may likewise affect 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 relatively steady flow of revenues throughout the year, with sales traditionally peaking 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 during 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-September 2012</i>	<i>End-December 2011</i>
Current ratio ¹	1.75:1	1.65:1
Debt-to-equity ratio ²	0.69:1	0.55:1
	<i>9M 2012</i>	<i>2011</i>
Profitability Ratios:		
Return on total assets ³	5.6% ⁵	5.9%
Return on equity ⁴	12.5% ⁵	11.8%
Asset to Equity ratio ⁶	2.60:1	2.48:1
Interest Rate Coverage Ratio ⁷	7.37	7.08

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 *9M12 NIAT annualized/average of end September-12 and end Dec-11 assets and equity*

⁶ *Total Assets /Total Equity*

⁷ *EBITDA/Interest expense*

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 horizontal stroke extending to the right.

Jaime E. Ysmael
Senior Vice President and Chief Finance Officer

Date: November 7, 2012