AyalaLand

We are committed to national development with a strategy to develop multiple growth centers across the country. We will maintain our leadership in real estate through innovative, sustainable and high quality developments that enhance and uplift the standard of living for more Filipinos, in more locations, and that address a broad range of segments and customer needs.

Ayala Land, Inc.
2010 Integrated Annual and Sustainability Report

Our Cover

For over seven decades, Ayala has been fulfilling dreams. From subdivision lots to a wide variety of residential products at multiple price points, from simple office buildings to modern central business districts, from stand-alone developments to fully-integrated mixed-use communities, our strategy has always focused on improving lives and livelihood through innovative, responsible and sustainable property development. This is the path to a future that we envision for our nation and for every Filipino.

About this Integrated Annual and Sustainability Report

Sustainable development has always been one of our key guiding principles. In 2008 we formalized this approach with the publication of our first Sustainability Report. As we continue to more closely integrate and embed sustainability concepts and practices into our strategies and business models, we decided to issue a single, fully integrated Annual and Sustainability Report last year. This was compliant with Global Reporting Initiative (GRI) B-level guidelines and reported on 37 GRI performance indicators. We are proud to have continued our progression as we are now reporting on a total of 57 performance indicators for 2010. This year's report is also self-declared at GRI application level B.

The sustainability portion of this report, whose coverage is aligned with our fiscal year, discusses the performance of the parent company, Ayala Land, Inc., and subsidiaries Alveo Land Corporation, Avida Land Corporation, Ayala Property Management Corporation, and Makati Development Corporation. It excludes the sustainability performance data of Cebu Holdings, Inc., which is reported in its own integrated annual and sustainability report. This report contains reviews and commentaries from representatives of some of our most important stakeholders. Their views are their own, and based strictly on their experience and understanding of how we conduct our business as a Company. We believe that the inclusion of this feature makes this integrated report much more meaningful.

This and our previous reports may be downloaded from our website at *www.ayalaland.com.ph*, where we have posted a feedback form. We hope that you can share your views and comments with us. We intend to keep improving the standards of both our sustainability practices and reporting in the years to come and your feedback is a very important part of this process. Alternatively, you may also contact us about this report and its contents via email at *integratedreport@ayalaland.com.ph*.

Enhancing Land and Enriching Lives, for More People

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

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

2010 in Review

2 Year in Summary
6 Chairman's Letter
8 President's Message
16 CFO and Compliance Officer's Report

Our Businesses

24 Residential
32 Commercial Leasing
40 Services
44 Growth Centers

Corporate Governance

54 Board of Directors
58 Management Committee
60 Corporate Governance Report
69 Risk Management Report

Sustainability Report

77 Sustainability Management Approach
80 Environmental Stewardship and Impact Reduction
97 Community Stewardship and Social Development
102 Personnel Development, Health and Safety
106 Market Shaping
108 Sustainability Awards
109 The Journey Ahead
110 Stakeholders' Commentaries
111 GRI Index

Financial Review

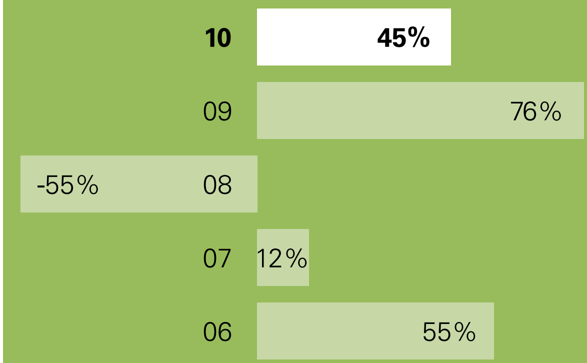
116 MD&A of Financial Results
119 Report of the Audit and Risk Committee
120 Statement of Management's Responsibility
121 Report of Independent Auditors
122 Financial Statements
130 Notes to Financial Statements
193 Subsidiaries and Affiliates
196 Key Officers and Consultants

How did we do?

Year in Summary

1

Total Shareholder Return
(TSR)



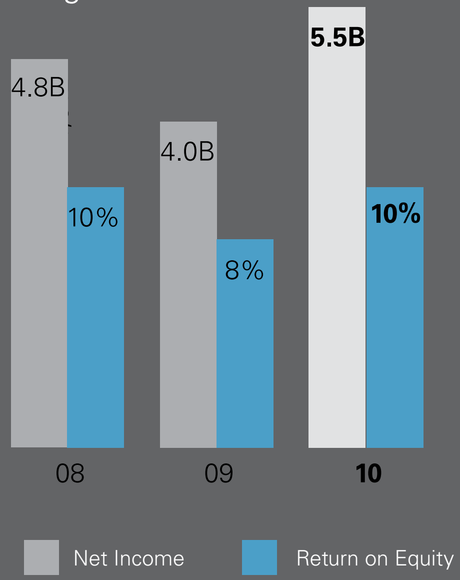
45%
Total Shareholder Return

We raised the dividend payout ratio from 16% to 30% and increased total cash dividends paid to Php1.2 billion, from Php780 million in 2009.

2

Php5.5B
Net Income After Tax

We achieved a record net income of Php5.5 billion, 35% higher than in 2009.

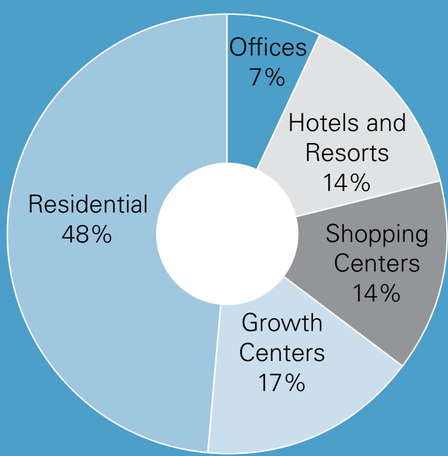


3

Php20.1B
Capital Expenditure

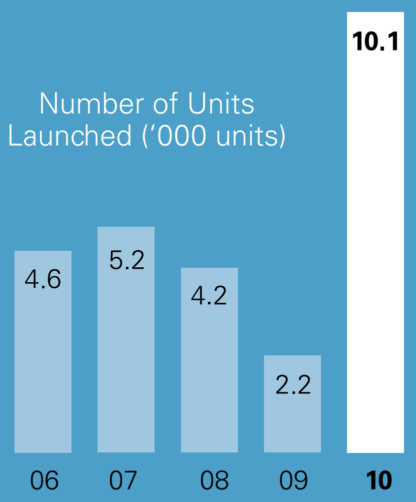
We spent Php20.1 billion in capital expenditure, a new record and 28% higher than in 2009.

Breakdown of 2010
Capital Expenditure



4

Number of Units Launched ('000 units)

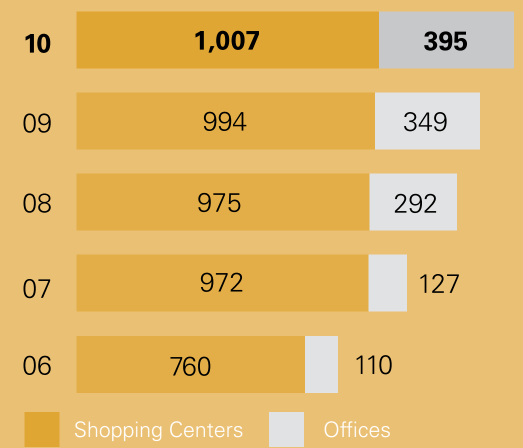


10,115
Residential units launched

We launched the most number of residential units in the Company's history, nearly 2.5x the average of the previous four years.

5

Total Gross Leasable Area ('000 sqm)



1.4M
Square meters of total commercial leasing GLA

We also began construction on 10 shopping centers and 13 BPO office buildings which will add another 267,000 square meters of GLA to the portfolio.

6

Number of GRI Indicators Reported

54%
Increase in sustainability performance metrics reported

We maintained GRI B-level reporting, with stakeholder commentaries.


"Our thoughts, our messages..."

Chairman's Letter
President's Message
CFO and Compliance Officer's Report

CHAIRMAN'S LETTER

Key Points

- Very positive outlook for Philippine property sector
- Landmark year, with strong performance across all businesses
- 45% increase in Total Shareholder Return (TSR)

My fellow shareholders,

One of the core values of Ayala Land is a commitment to national development. What better way to demonstrate this commitment than by extending the coverage of our product portfolio to more segments and more places in the Philippines? In our efforts to progress as a property developer with truly nationwide coverage, our most basic goal is to continually uplift the standard of living for more and more households, office workers, shoppers and even tourists across the country.

Twelve months ago, we communicated a bold strategy designed to enable Ayala Land to achieve some ambitious financial targets. We spoke to you about moving into new products, segments and geographic markets. I am very pleased to report that in our strategy's first full year of implementation, we have made significant progress against these goals. Our record financial and operating results will be discussed at length in the President's Message and in other sections of this Integrated Annual and Sustainability Report.

These are indeed very exciting times for the Philippine real estate market. Driven by solid macroeconomic fundamentals and a positive leadership change in the 2010 national elections, there has been, and continues to be, genuine excitement about Philippine growth and investment prospects. Expectations for above-trend GDP growth, record levels of liquidity, a favorable interest rate environment, robust overseas Filipino remittances, and a strong government push to facilitate much needed investment in infrastructure all benefit the property sector.

The result has been a landmark year with significant improvement in the performance and outlook across all of our major business lines. Driven by improving product affordability and the increased availability of mortgage financing, we have seen a significant increase in residential demand across all price points. To meet this demand, we launched in excess of 10,000 residential housing units in 2010, or nearly 2.5 times our average for the preceding four years. This resulted in a doubling of our sales take-up to more than Php33 billion for the year, and a much stronger competitive position in more residential segments.

Consumer spending and the demand for retail space, meanwhile, remain as strong as ever. We also saw a major improvement in the recovery of the business process outsourcing sector following a challenging year in 2009. The inherent attractiveness of Philippine tourism has also been attracting more attention on the national agenda, setting up some very interesting opportunities for hotels and resorts. While product supply and the competition for these opportunities have also been increasing, we feel that the growth in demand has been strong enough to ensure that the market remains fundamentally very attractive, especially for leading and innovative players.

Coupling the buoyant prospects of the property sector with our commitment to delivering value and results at both the product and the corporate level, it is not surprising that we received very strong support both from our customers and our investors. We spent a considerable amount of time last year communicating our plans, initiatives and results in face-to-face meetings with existing and prospective institutional investors in all of our major global markets. I am delighted to share that the response and support has been overwhelmingly positive and, as a result, our shareholders were rewarded with a 45% increase in Total Shareholder Return for 2010. In addition to the increase in our stock price, we also doubled our cash dividend as we increased the dividend payout ratio from 16% to 30%. And as previously communicated, we plan on increasing this dividend again every year until we reach what we feel is a sustainable ratio of 50% by 2014. I believe that this is something that many of you will certainly look forward to.

We do recognize, however, that challenges remain especially with intensifying competition and heightened expectations. Rest assured that we have a very capable management team and organization which are fully committed to overcoming the execution challenges posed by our ambitious targets, chief among which is how to achieve such high growth rates with the same or only a minimal increase in human resources. In the sections that follow, you will be able to read about our process improvements and how we are also changing as an organization with the goal of being able to "work smarter and do more with less." With this mindset, we are confident that we can sustain last year's momentum and success.

In closing, I would like to thank the Board of Directors, the management team, and our colleagues at Ayala Land for their contributions to a truly transformational and landmark year for your Company. We wish to extend our gratitude as well to our shareholders, our partners, and all our customers for your continued support.

Thank you.

FERNANDO ZOBEL DE AYALA
CHAIRMAN

PRESIDENT'S MESSAGE

Key Points

- Record financial results
- Entered new markets and significantly increased project launches and activity levels
- On-track with respect to our "5-10-15" Plan
- Significant progress on sustainability
- New approaches and initiatives for "working smarter"

“Our activity levels were simply unprecedented as we launched a total of 57 projects with a total investment value of more than Php62 billion – much more than at any other time in your Company’s history”

To our valued shareholders,

As mentioned by our Chairman in his letter, 2010 has been an exceptionally good year for Ayala Land. We achieved record financial results and gained significant traction and momentum in the first year of the implementation of our new strategy. This is designed to bring your Company to unprecedented levels of growth, breadth and reach in its product portfolio, and financial performance.

In 2010, we achieved record sales for our residential businesses and improved the operating performance of our major investment properties. These resulted in a record net income after tax of Php5.5 billion, 35% higher than in 2009 and 13% more than the previous record high of Php4.8 billion recorded in 2008. Our consolidated revenues also grew to Php37.8 billion, 24% more than the previous year. We also spent a total of Php20.1 billion in capital expenditure for the year, which was also a new record and 24% higher than the previous year. A more thorough discussion of your Company’s financial and operating results can be found in the Management’s Discussion and Analysis section of this Integrated Annual and Sustainability Report, which starts on page 116.

A Year Of Significant "Firsts"

With our record results, 2010 had a number of key highlights as well as several significant "firsts". Our activity levels were simply unprecedented as we launched a total of 57 projects with a total investment value of more than Php62 billion – much more than at any other time in your Company's history.

As part of our new strategic direction, we expanded our traditional products in more locations across the country and also introduced new products that cater to a broader base of the Philippine economic pyramid. With a strong residential market, for example, we launched a record number of 10,115 units which was nearly 2.5 times our average annual run-rate from the previous four years. These included our launch of the first two towers of Park Terraces, which is part of our Php20 billion Ayala Center redevelopment project in the Makati central business district, our initial foray into the economic housing segment through AmaiaScapes in Laguna, and our first Avida projects in Bonifacio Global City (BGC), Alabang and Cebu. I am happy to report that all of these were very well received by the market.

We also expanded into new geographies and began to build our presence in five new growth centers outside Mega Manila – Subic, Baguio, Iloilo, Cagayan de Oro, and Palawan. These are in addition to the expansion in our existing growth centers, all of which are being strengthened either through continued build-out or through redevelopment efforts. We also secured parcels of land in Fairview in Quezon City, Mandaluyong City and Laguna where we plan to develop future mixed-use communities and provide growth platforms for our businesses.

In addition, we tapped into new business opportunities that will enable us to diversify our portfolio further. In our retail leasing operations, for example, we opened our first neighborhood center in the Ayala Triangle Gardens in time for the Christmas holiday season and this proved to be a huge hit with the public. On top of this, we also launched a number of strategically-located retail centers across the country in areas such as Iloilo, Baguio, and Subic. In the office segment, we broke ground on a number of our business process outsourcing (BPO) office buildings in various provincial centers nationwide, which have been identified as "Next Wave BPO Cities" under the Business Processing Association of the Philippines Roadmap.

We have also been strong believers in our country's potential for both international and domestic tourism. We made our first investment into eco-tourism with our acquisition of a 60% stake in the Ten Knots Group, which owns and manages the El Nido Resorts in Palawan. Equally significant, we launched and broke ground on our first Kukun businessman's hotels in BGC and Davao. These are the first of a series of Ayala Land branded, owner-operated businessman's hotels that we will be launching in various locations over the next few years.

Finally, we also launched our first direct international investment by entering into an equity joint venture agreement with the Sino-Singapore Tianjin Eco-City Investment and Development Co. Ltd. for the development of a 19-tower residential project on a 9.8-hectare parcel of land inside Tianjin Eco-City, China. Apart from the prestige of being among the best developers in the region to be part of this new eco-city, the engagement also offers plenty of opportunities for us to learn and adopt best practices in construction management and procurement which will ultimately allow us to lower the construction and operating costs for our domestic projects.

Strong Performance Against Our Four-Pillar Strategy

Recall that with our "5-10-15" Plan, we intend to achieve, within five years (or by 2014), Php10 billion in after-tax net income and a return on equity of 15%. Supporting these five-year targets are our four key pillars: Growth, Margin Improvement, Capital Efficiency, and Organizational Development. Many investors and analysts were taken by surprise that we would take on such a bold challenge but everyone we spoke to was nevertheless pleased that we are pursuing this. Measured against the objectives we set for ourselves a year ago, I am happy to report that we have been able to deliver and are on track to achieving these ambitious targets. Table 1 summarizes some of our key accomplishments for 2010. A more in depth discussion of these will be found in the CFO and Compliance Officer's Report and in the Business Review sections that follow.

Table 1. Our 2010 Accomplishments vis-à-vis the Four Pillar Strategy

STRATEGY	OBJECTIVE	ACCOMPLISHMENT
GROWTH	Increase project launches in new and existing growth centers	Launched nearly 2.5X the average number residential units from 2004-09
		Broke ground on 165K sqm GLA for shopping centers and 103K sqm GLA for BPO office buildings
	Extend footprint into new geographies	Launched projects in Iloilo, Subic, Palawan, Cagayan de Oro, and Baguio; acquired new land in key strategic areas
	Pursue new business opportunities	Entered into economic housing segment (Amaia) and eco-tourism (El Nido resorts); launched first businessman's hotels (Kukun); opened first neighborhood center (Restaurants at the Ayala Triangle Gardens)
	Leverage synergies within business units and with Ayala Group	Signed MoA with Manila Water Company for water distribution and treatment facilities for NUVALI
MARGIN IMPROVEMENT	Improve product margins and reduce corporate overhead	Improved 2010 consolidated NIAT margin to 14%, from 13% in 2009; reduced GAE-to-Revenue ratio from 9% to 8%
	Reduce development costs	Completed first phase of integration of Construction Management Group with Makati Development Corp.
	Generate more procurement savings	Significant savings generated from e-bidding, tighter negotiations with suppliers, increased partnering and international sourcing
CAPITAL EFFICIENCY	Prioritize asset-light approach to landbanking and development	6 of 14 land acquisition deals completed in 2010 were done via joint-development agreements or long-term leases
	Increase cash dividend payout	Increased cash dividend payout to 30%, from 16% in 2009
	Prepare for Real Estate Investment Trust (REIT) listing	Incorporated Ayala Land Commercial REIT, Inc. for possible REIT IPO in 2011
	Increase leverage within debt capacity	Raised Php2.5 billion in short- and long-term debt
	Optimize rates and tenors	Achieved at least 50-basis point discount on term loan rates versus peer companies
ORGANIZATIONAL DEVELOPMENT	Strengthen risk management organization and processes	Implemented EWRM system; transformed Audit Committee to Audit and Risk Committee
	Focus on management and leadership development	Implemented "Professionals-in-Development" training program
	Enhance decision and backroom support systems	Outsourced transactional finance functions and enhanced business information systems

Progress on Sustainability

The pursuit of sustainability – in our developments, operations and the communities we affect – continues to be a very important objective for your Company. To this end, we have continued to expand the monitoring of our sustainable practices across the organization. As of the end of last year, we were able to measure, track and report on 57 performance indicators as defined by the Global Reporting Initiative – a 54% increase from the 37 indicators we reported on and monitored in 2009.

Within this framework, we continue to integrate and embed sustainability principles and practices in our various projects. One of the areas we have focused on, in partnership with many of our suppliers, is green procurement. Last year, our purchasing practices were recognized by the Green Procurement Practices Award at the Greening the Supply Chain Conference and Exhibit held at BGC. We are also pleased that our efforts have been recognized internationally as your Company earned the prestigious LEED® Green Building Certification for One Evotech in NUVALI. One Evotech was recognized with the LEED Silver Certification for its sustainable location, efficiency in energy and water usage, use of sustainable construction materials and efficient design of its indoor environment. All these and other aspects of how we are planning for and promoting sustainability in everything we do is covered in detail in the second half of this Integrated Annual and Sustainability Report, which starts on page 72.

A Different Approach

Our commitment to deliver more products, in more segments, and in more areas around the country is a complex organizational challenge. The questions, "How do we do more with less?" or "How do we work smarter?" have become common themes in our management discussions as we strive to launch better projects faster and at a lower cost. That we are well on track with respect to our "5-10-15" Plan is a testament to the success of new corporate and process-oriented initiatives that have been implemented over the past twelve months. Among the initiatives that allowed us to achieve a dramatically higher level of output relative to organizational effort include the following:

- Faster decision making, replacing some formal and structured meetings with quicker and more nimble "huddles"
- Dramatically shortened project planning cycles, by streamlining building designs and reusing building design-templates where possible
- Reduction in processing time for securing permits and licenses to cut development timetables
- Employment of alternative building techniques to lower cost, improve speed-to-market, and promote sustainability

Across the organization, we have also been pursuing business transformation initiatives along key areas and processes where we believe we can further enhance efficiencies and sharpen our business focus. For instance, we have successfully completed the initial phase of the transformation of our subsidiary Makati Development Corp. into a full service construction, engineering and

One Evotech in NUVALI

The Way Forward

contracting company with the integration of our Construction Management Group. We have also reorganized our hotels and resorts businesses through the creation of AyalaLand Hotels and Resorts Corporation to provide more focus and define the lines between the operational, developmental and landholding functions of these businesses.

In the process of accelerating project development timetables to meet our growth objectives, we have been very mindful of keeping our risk management practices always a step ahead. In addition to the full implementation of our Enterprise-Wide Risk Management system (which is discussed in detail in the Risk Management section of this report), we have strengthened our Investment Committee's (IC) project screening processes. The IC, a multi-disciplinary and multi-functional group composed of senior members of the Management Committee, which I chair, collectively works to ensure that:

- There is an optimal balance of projects being developed in each of our growth centers
- Our risk exposure associated with these projects, at any given time, are within the parameters prescribed under our EWRM framework
- Each project adheres to strict time, cost, and quality standards and meets the minimum efficiency and capital return guidelines

The success of these new projects will determine, to a large extent, the performance of each business unit moving forward, which collectively will then be critical in achieving our growth, profitability and return on capital targets. To ensure that each approved project delivers its committed operational benefits and financial contribution, we also keep track of each project's progress through regular post-approval reviews.

For 2011 and beyond, we are fully committed to maintaining our current trajectory and building on this higher base of product delivery and performance. Our growth expectations remain high across all segments and we are optimistic that our residential development, commercial leasing, and hotels and resorts businesses will continue to outperform and gain in market share. We also remain fully committed to continuous innovation in products, building technologies, process improvements and sustainability as these will be critical to the successful delivery of our financial targets.

I am proud and grateful for the dedication, commitment and tireless efforts of our employees, the guidance and governance provided by the Board, and the support and trust of our shareholders. As we look forward to the opportunities and challenges of 2011 and the next few years, we will continue to count on all these, confident that your Company will be able to achieve its targets and further strengthen its position as the country's leading property developer.

Thank you.

ANTONINO T. AQUINO
PRESIDENT AND CHIEF EXECUTIVE OFFICER

> "We are fully committed to maintaining our current trajectory and building on this higher base of product delivery and performance"

What did we do?

Key Operating Highlights in 2010

Groundbreaking of Iloilo TechnoHub

We expanded into new areas such as Subic, Baguio, Iloilo, Cagayan de Oro and Palawan.

Harbor Point mall in Subic

AmaiaScapes bungalow model unit

We ventured into economic housing through AmaiaScapes in Calamba, Laguna.

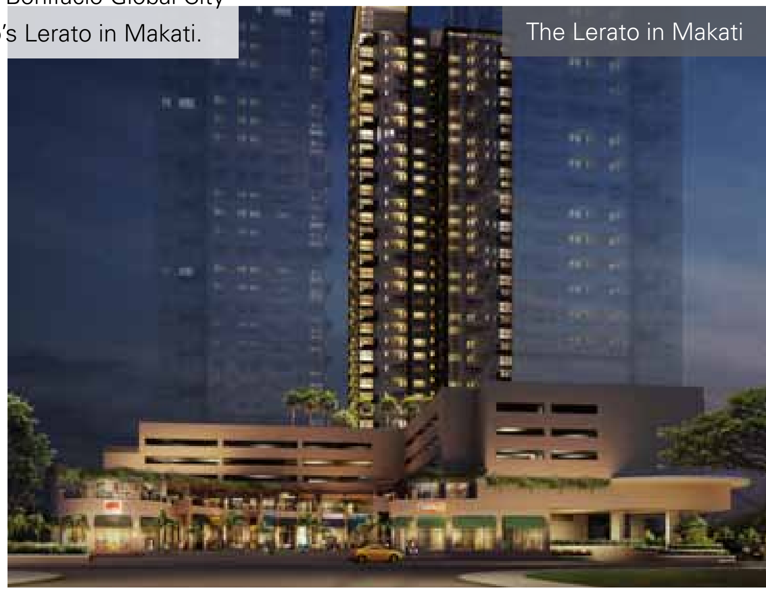
Kukun hotel in Bonifacio Global City

We acquired 60% of El Nido Resorts and broke ground on our first Kukun hotel in Bonifacio Global City.


Avida Towers Alabang


Avida Towers Cebu

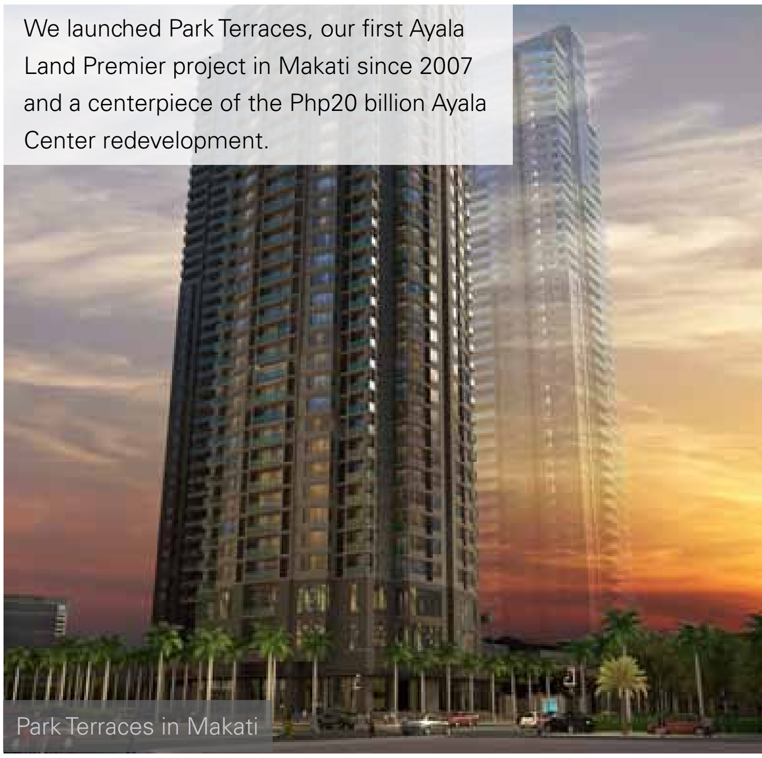
We launched our first high-rise Avida projects in Alabang, Bonifacio Global City and Cebu and Alveo's Lerato in Makati.


The Lerato in Makati

We opened our first neighborhood center with the Restaurants at the Ayala Triangle Gardens in Makati.


Apulit Island Resort in El Nido, Palawan

We launched Park Terraces, our first Ayala Land Premier project in Makati since 2007 and a centerpiece of the Php20 billion Ayala Center redevelopment.


Park Terraces in Makati

CFO AND COMPLIANCE OFFICER'S REPORT

Key Points

- Supported business unit growth by providing financial resources and innovative financing schemes
- Drove profitability through active spend management programs, enhanced procurement initiatives and outsourcing
- Improved capital returns through higher dividend payout and efficient balance sheet management
- Strengthened the organization through implementation of EWRM, creation of Business Information Systems and Process Division, and rationalization of functions

“Overall, we implemented various initiatives for each of the four pillars of growth, margin improvement, capital efficiency, and organizational development to keep the Company on-track with its “5-10-15” Plan”

Our 2010 financial results reflect how your Company effectively responded to the positive macroeconomic environment and took advantage of the buoyant outlook in the property sector. We delivered consolidated revenues of Php37.8 billion and a consolidated net income of Php5.5 billion, which were 24% and 35% higher year-on-year, respectively, and represent new record highs.

As mentioned in our President's message, we also spent Php20.1 billion to fund our aggressive ramp up last year, which was also the highest in your Company's history. The details of how each of our businesses contributed to this record financial performance will be covered in the business review sections which follow, as well as in the Management's Discussion and Analysis (MD&A) section, which starts on page 116 of this report.

Through the record activity levels of 2010, we were able to maintain a very strong and liquid financial position, with a year-end cash level of Php19.9 billion, a current ratio of 1.71:1 and a consolidated net debt-to-equity ratio of 0.02:1. Very strong pre-sales of our residential projects coupled with steadily growing inflows from our investment properties brought in more than enough cash to fund our capex program.

Overall, we implemented various initiatives for each of the four pillars of growth, margin improvement, capital efficiency, and organizational development to keep the Company on-track with its "5-10-15" Plan.

Ensuring Growth

One of our foremost priorities in supporting the Company's growth trajectory is to ensure optimal financial resources for the completion of existing projects as well as for investing in landbank to be used as future growth platforms of our businesses. To this end, we strengthened our liquidity position further by closing several term funding agreements throughout the year and at very competitive rates relative to market benchmarks.

In addition to funds allocation, we also came up with innovative financing schemes, in cooperation with our partner banks, to help increase the sales velocity of our residential projects. We launched the Homestarter Bond (HSB) Series 3 and successfully raised Php1.0 billion. The HSB series allows bondholders to earn interest while saving up for equity which can later be converted to a down payment for a property purchase upon maturity. Collectively, the HSB Series 1-3 have generated 1,800 subscribers to date and total conversions (into residential purchase downpayments) with a sales value of Php250 million.

Table 2. Business Margins

	2010	2009	2008
Residential (Gross Profit)			
Horizontal	**43%**	41%	38%
Vertical	**28%**	26%	22%
Commercial Leasing (EBITDA)			
Shopping Centers	**63%**	62%	54%
Offices	**71%**	64%	46%
Hotels & Resorts	**25%**	32%	37%
Services (EBITDA)	**7%**	12%	16%

We closely coordinate with our sales units to come up with market-responsive financing schemes to assist in generating sales, especially for our new brand Amaia which serves a totally different market. In line with this, we re-launched our Homestarter Finance program (again with the strong support of our partner banks) and were able to offer a much broader range of affordable financing schemes particularly to Alveo and Avida customers. We accredited two new partner banks which enabled us to offer even more attractive terms for Avida and Amaia buyers. Finally, we also launched the Bank of the Philippine Islands-Family Bank Housing Loan for Ayala Group employees. This tie-up features more attractive terms and lower rates compared with our traditional market offerings, allowing us to expand our customer base further while increasing our synergies within the Group.

On the corporate front, we set up the metrics and investment guidelines (aligned with the four pillars, especially with respect to margin improvement and capital efficiency) which provide the criteria in approving and monitoring the progress of each project. This we carry out through our direct involvement as members of the Investment Committee and Corporate Working Group, where we analyze, approve and track projects.

Driving Profitability

Our drive to further lower the Company's project, operating and corporate costs continue to bear fruit as indicated in Table 2. As part of our five-year plan, we committed to steadily improving our product margins through active spend management programs, improving our procurement processes and sourcing platforms, and implementing outsourcing and shared-service schemes.

We have started to source more actively from manufacturers in China and other countries, which are targeted to generate significant savings for our projects over the long run. In addition, we continued with our active supplier partnering program, which guarantees stable supply while yielding below-market material costs. In addition to renewing our three-year cement contract with La Farge, we closed more than a hundred commodity supply agreements last year. Apart from the direct cost savings, these partnering agreements have also produced administrative benefits as we have been able to reduce our processing time for the Purchase Requisition-to-Purchase Order cycle for project and non-project commodities, general contracting and other services.

We also continued to rationalize our operations and expand the use of shared-service platforms. Following the successful launch of Amicassa Process Solutions, Inc. for our residential sales backroom processes in 2008, we began migrating our transactional accounting functions to an outsourced entity called Aprisa Business Process Solutions, Inc. and completed the first phase of implementation in 2010. We will continue to explore the use of these outsourced or shared-service platforms in general processing functions across other areas of the organization moving forward.

All told, our spend management programs yielded a total of Php1.3 billion in savings and helped our residential, shopping center and office businesses achieve an average 3-percentage point increase in residential (gross profit), shopping center and office (EBITDA) margins. The decline in EBITDA margins for hotels and resorts and services are discussed in our MD&A later in this report. We also brought down our general and administrative expense-to-revenue ratio from 9% in 2009 to 8% last year. All these combined for a net income after tax (NIAT) margin of 14%, compared with 13% the previous year.

Improving Returns

Improving the efficiency of our balance sheet and lowering our overall cost of capital is a strategic priority in our financing plans. In addition to providing optimal financing which allowed our business units to ramp-up their activity levels and corresponding asset turnover, we improved the efficiency of our capital with respect to dividends and landbank acquisition.

In 2010, we shifted to a payout-based dividend policy where we paid out 30% of the Company's 2009 NIAT as cash dividends to shareholders, compared with the equivalent of 16% the previous year. We are improving that further to 35% this year, as we progress to what we feel is a sustainable dividend payout ratio of 50% by 2014. We also prioritized the use of asset-light models in acquiring land for our future growth center developments. Last year, 6 of the 14 land acquisition deals we completed came in the form of joint-development agreements or long-term leases as the Company continued to leverage on its track record to become the partner of choice in these developments.

We also continued to exercise effective balance sheet and credit management to ensure that we maintain your Company's financial health and strength. Our accounts receivable levels and past-due ratios across all our residential brands were kept below our prescribed thresholds last year, despite the doubling in our sales take-up. We also managed our parent and subsidiary cash positions more effectively, upstreaming cash that had built up back to the parent. Our triple-A rated credit standing enabled us to secure long-term financing at lower rates against our peers, while short-term loans were attained at the lower end of our partner banks' prime lending rates – both generating considerable interest cost savings for your Company.

To help fund a much larger capex requirement of Php32.6 billion in 2011, we successfully raised Php10 billion in an oversubscribed private placement of corporate notes early this year. This was notable in two ways – the average cost of 6.2% across the various tenors allowed us to take advantage of this attractive financing window and lower our borrowing cost, and one of the tranches reached 15 years. This was another record first for your Company as it was the first 15-year note issue by a Philippine corporate and allows us to more effectively match the duration of our landbank assets with our financial liabilities.

Finally, we also continued to prepare for the finalization and issuance of the final REIT Implementing Rules and Regulations. As you know, these were expected last year but have been undergoing further review by the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue. We are hopeful that all remaining issues will be resolved soon so that we can proceed with our plans to publicly list our mature shopping center and office properties sometime in 2011. We already incorporated our corporate vehicle, Ayala Land Commercial REIT, Inc. late last year and we continue to prepare internally for this initial public offering.

Figure 1. General and Administrative Expense-to-Revenue Ratio

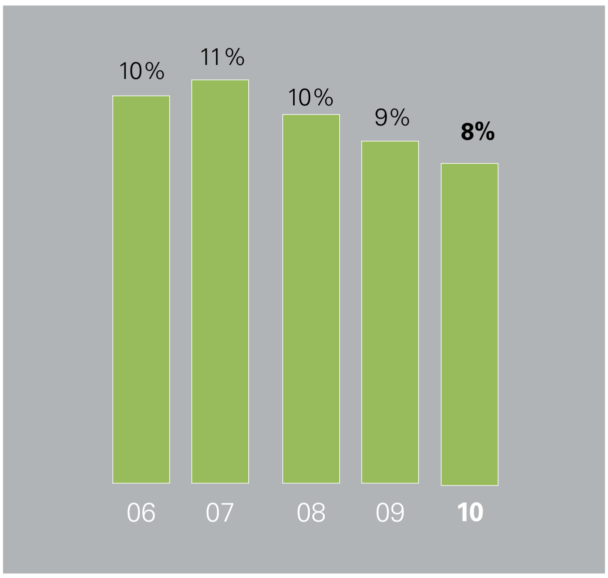
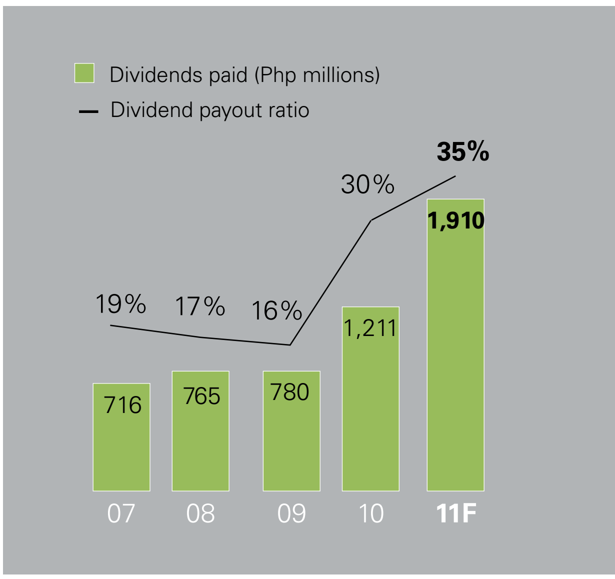


Figure 2. Dividend Payout Ratio



Strengthening the Organization

To effectively manage our record activity levels, we paid special attention to the strengthening of our risk management processes and systems. We have identified key business risks across the organization and selected risk champions to act as process owners for instituting controls and setting up effective monitoring systems within our enterprise wide risk management (EWRM) framework. We have also completed all scheduled risk-based, process-focused audits last year resulting in improvements in the key areas of procurement and sales and marketing. The details of these initiatives will be discussed in a separate section on Risk Management which will begin on page 69.

We implemented significant upgrades in our systems and processes to be able to handle the documentation and reporting requirements associated with our rapid expansion. We have completed the roll-out of the SAP enterprise resource planning system across all our operating subsidiaries and this enabled us to further improve our financial budgeting, reporting and disbursement systems.

We have centralized our procurement functions to increase the synergies between the procurement units of each business and ensure that these are aligned with the overall objectives of the Company. While each unit has its own procurement organization, their heads now have a functional reporting line with the overall head of the supply chain at the parent Company to ensure that time, cost and quality standards are met across the organization.

We have likewise evolved our traditional Technology Management functions into a Business Information Systems and Process Division designed to provide process improvements, analysis, and solutions and support to systems development. These operational improvements are expected to further enhance the quality of our management information systems, facilitate better and faster corporate decision-making, and improve the efficiency of your Company's overall operational workflow.

Report On Compliance Activities

Finally, Ayala Land is committed to the highest standards of disclosure, transparency and corporate governance. As your Company's Chief Compliance Officer, I am pleased to report that in 2010, Ayala Land fully complied with all of the disclosure and reportorial requirements of the SEC, the Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation with respect to your Company's ownership structure, financial and operating performance, issuance of securities, and other events that may be material to how investors perceive and value the Company.

As a covered institution, the Company also complied with the rules, regulations and directives issued by the *Bangko Sentral ng Pilipinas* and its Anti-Money Laundering Council in relation to the Anti-Money Laundering Act of 2001. Details of our compliance activities are discussed at length in the Corporate Governance Report, which begins on page 60.

JAIME E. YSMAEL
CHIEF FINANCE OFFICER
AND COMPLIANCE OFFICER

Financial Highlights

(All amounts expressed in Php '000, except as indicated)

	2010	2009	2008
STATEMENT OF INCOME			
Revenues	**37,813,499**	30,455,244	33,748,983
EBITDA[1]	**11,485,308**	10,449,292	10,432,004
Net Income[2]	**5,458,134**	4,039,256	4,812,348
STATEMENT OF FINANCIAL POSITION			
Cash and Cash Equivalents[3]	**19,857,152**	16,449,217	15,443,045
Total Assets	**122,301,910**	107,741,848	100,588,883
Total Borrowings	**20,970,933**	18,812,165	16,751,530
Stockholders' Equity	**56,857,152**	52,392,361	49,027,640
STATEMENT OF CASH FLOWS			
Net Cash Provided by Operating Activities	**12,406,314**	4,409,849	3,687,367
Net Cash Provided by (Used in) Investing Activities	**(4,634,659)**	(9,406,398)	(4,913,688)
Net Cash Provided by (Used in) Financing Activities	**(281,574)**	2,869,873	2,609,817
CONSOLIDATED PROJECT AND CAPITAL EXPENDITURE (Php billion)	**20.06**	16.24	18.89
FINANCIAL RATIOS			
Current Ratio	**1.71:1**	1.95:1	1.89:1
Debt-to-Equity Ratio	**0.37:1**	0.36:1	0.34:1
Net Debt-to-Equity Ratio	**0.02:1**	0.06:1	0.03:1
Return on Equity[4]	**10%**	8%	10%
Return on Assets[4]	**5%**	4%	5%
STOCK INFORMATION (in Php except as indicated)			
Market Capitalization (Php billion, as of year-end)	**214.36**	146.51	83.35
Stock Price (per share, as of year-end)	**16.46**	11.25	6.40
Earnings per Share	**0.41**	0.31	0.36

[1] *Earnings before interest, taxes, depreciation and amortization*
[2] *Attributable to equity holders of Ayala Land, Inc.*
[3] *Includes short-term investments, financial assets at fair value through profit or loss and available-for-sale financial assets, excluding unquoted shares of stock*
[4] *Return on average equity and average assets*