



Ayala Corporation  
34F Tower One Ayala Triangle  
Ayala Avenue Makati City 1226 Philippines

Tel (632) 848 5543  
(632) 848 5768  
www.ayala.com.ph

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING**  
**Held on 18 April 2011 at 9:00 o'clock in the morning**  
**Grand Ballroom, Inter-Continental Hotel Manila**  
**Ayala Center, Makati City**

	No. of Shares	Percentage of Total
<b>Outstanding Shares Represented</b>	540,363,057	71.53%
<b>Voting Shares Represented</b>	540,356,057	78.83%

**Directors Present:**

Jaime Augusto Zobel de Ayala, *Chairman and CEO*  
Fernando Zobel de Ayala, *President and COO*  
Xavier P. Loinaz, *Chairman, Audit and Risk Committee*  
Delfin L. Lazaro, *Chairman, Finance Committee*  
Nobuya Ichiki, *Member, Executive Committee*  
Ramon R. del Rosario, Jr., *Chairman, Personnel & Compensation Committee*

**CALL TO ORDER**

After the singing of the Philippine National Anthem, Mr. Jaime Augusto Zobel de Ayala, Chairman of the Board of Directors, called the meeting to order.

**PROOF OF NOTICE AND DETERMINATION OF QUORUM**

Upon inquiry from the Chairman, the Corporate Secretary, Ms. Mercedita S. Nollo, reported that written notice of the meeting, stating the time, date, place, and purposes thereof, including the required Information Statement, was duly sent to each stockholder of record as of 22 February 2011, in accordance with the requirements of the Securities and Exchange Commission and the By-Laws of the Corporation. In addition, the notice was published in the 13 April 2011 issue of the Philippine Daily Inquirer, a newspaper of general circulation.

The Secretary also confirmed that shareholders representing 540,363,057 shares or 71.53% of the 755,426,922 outstanding shares of the Corporation and shareholders representing 540,356,057 voting shares or 78.83% of the 685,426,922 voting shares were present in person or by proxy. Thereafter, the Chairman declared the existence of a quorum and the meeting duly constituted for the transaction of business.

## **APPROVAL OF THE MINUTES OF PREVIOUS MEETING**

The next item in the agenda was the approval of the minutes of the annual stockholders' meeting held on 16 April 2010. Copies of the minutes were given to the stockholders upon their registration.

Upon motion of Mr. Roberto T. Ongsiako, duly seconded by Mr. Patrice Clause, shareholders owning 539,406,959 voting shares or 99.82% of the total number of voting shares represented at the meeting approved the minutes. No shareholder voted against the approval of the minutes while shareholders owning 0.18% of the total number of voting shares abstained.

## **ANNUAL REPORT OF OFFICERS**

The annual report consisted of three parts: the Chairman's Message, the Report of the President, and an audio-video presentation.

### ***Chairman's Message***

The Chairman gave an overview of 2010's micro-economic environment when the Philippines experienced its strongest economic growth in three decades as the economy rebounded from the global crisis more resiliently than most western and Asian economies. This optimism continued following the transition in national leadership.

The Corporation maintained a strong presence in sectors that were key drivers of the country's economy. Businesses in real estate, banking, telecommunications, automotive, and water were well-positioned to take advantage of the economic upturn. These businesses were all major sources of growth due to compelling market positions, healthy cash flows, high profitability, and their ability to consistently deliver strong returns. Most of these businesses achieved record financial results in 2010.

The Chairman highlighted several points.

First, the Corporation intended to strengthen its group's capacity to address growth opportunities in the domestic market as the country's economic growth continued. The Corporation was increasing its capital expenditure in 2011 to PhP79 billion, 21% higher than last year's capital expenditure. This would be the highest capital investment ever in the Ayala group and would represent 13% compounded annual growth over the past five years.

Second, while the Corporation aimed to establish growth in the traditional markets, it planned to reach out to more consumers and broaden the customer base by targeting the lower end of the economic pyramid. The Chairman said that it was important to address this market that made up more than 60% of the population. He cited Ayala Land's Amaia and the Bank of the Philippine Islands' ("BPI") Banko as examples of the group's efforts to reach out to the lower market.

Third, the Corporation saw selective opportunities for international expansions particularly in water, electronics, and business process outsourcing units. These were specific global trends that created opportunities which the Ayala group intended to pursue.

Lastly, the Corporation recognized opportunities to invest in new platforms for long-term growth domestically. The Chairman stated that there was a renewed interest for private sector investment in infrastructure and power sectors. In 2010 and the first quarter of 2011, the Corporation made initial investments in solar energy through PhilNew Energy Corporation and wind energy through Northwind Power Corporation.

In closing, the Chairman thanked the senior management team, executives, and staff for their support, loyalty, and dedication, the Board members for their guidance, the business partners for their shared vision, and the stockholders for their continued trust and confidence in the Corporation.

The Chairman welcomed Mr. Antonio Jose U. Periquet, the new independent director, who was elected in September 2010. He thanked the outgoing director and Corporate Secretary, Ms. Nolloedo, for her many years of service to the Corporation.

After the Chairman's message, the President and Chief Operating Officer, Mr. Fernando Zobel de Ayala, gave his report to the stockholders.

### ***President's Annual Report***

Mr. Fernando Zobel de Ayala reported that the operating units in real estate, banking, automotive, and water all posted record earnings in 2010. While the Corporation's international businesses continued to feel the effects of the global downturn, the Corporation remained confident that those businesses were well positioned for the upturn of the global economy.

The Corporation's consolidated net income in 2010 grew by 37% to PhP11.2 billion and return on equity was at 10.6%, which was an improvement from the 8.2% in 2009, and total shareholder return was 31% for the year.

The strong earnings of Ayala Land, BPI, Manila Water, and the automotives group offset the decline of Globe and IMI, as well as the losses of AG Holdings. He stated that domestic businesses remained as key drivers for growth to the Ayala group. Net income got a further lift from a PhP3.6 billion net gain from the revaluation of the Corporation's stake in Manila Water and Livelt's gain from a buy-in of a private equity firm in Integreon.

The President also reported that the Corporation had kept a healthy cash level of PhP29 billion in addition to USD260 million in undrawn committed credit facilities.

Ayala Land's revenue was up by 24% in 2010 and had an all-time high net income of PhP5.5 billion. Net income was likewise higher by 13% from the previous year. Overall, Ayala Land registered growth across all business lines.

BPI hit another record year with PhP11.3 billion net income for the second consecutive year, which was 33% higher than last year. Net interest income was PhP24 billion while non-interest income was at PhP15.4 billion. BPI also had the highest market capitalization among banks.

Globe's service revenue was at PhP62.6 billion. Net income was down to 22% and return on equity at 20.6%.

Manila Water grew in revenues by 16%, in net income by 23% and in return on equity by 20%.

Automotive group's consolidated revenue was up by 6% to PhP11.5 billion with return on equity at 11%.

IMI's revenue was likewise up by 4% as against last year due to strong performance of its China operations.

Livelt's consolidated net income improved to USD4.9 million against last year due to the net revaluation gain of Integreon. AG Holdings, however, registered a net loss of PhP2.3 billion due to impairment provisions for assets in North America and restructuring costs.

Over all, the Corporation's net portfolio increased by 24% in 2010.

After the President's Report, an audio-visual presentation was shown.

Thereafter, the Chairman opened the floor for questions or comments from the stockholders relating to the annual report or to the 2010 audited financial statements.

#### ***Stockholders' Questions/Comments***

Stockholder Philip Turner raised concern about too much wastage in water. He inquired about the steps being taken on recycling water which could help prevent flooding.

The President cited several steps being undertaken by the Ayala group of companies, particularly the conservation methods of Manila Water. He asked Manila Water President, Gerardo C. Ablaza Jr., to explain the steps being taken towards the conservation of water.

Mr. Ablaza explained that Manila Water was able to reduce non-revenue water from 63% to 11% last year over the 13-year concession period.

On recycling water, Mr. Ablaza explained that it was not yet timely since recycling water required much power usage. It was more economic to rely on natural sources of water making sure that system losses were brought down to minimum. Manila Water ensured that waste water was not thrown into the sea.

Mr. Turner further inquired about the plans to improve the financial standing of Livelt. The Chairman explained that there was a continuing trend globally to cut costs and find more efficient ways to be more productive. At the operating level, there were still some loses in some of the Livelt companies. But he also explained that an investor partnered with the Corporation at a price higher than the original investment due to higher valuation of assets. At a consolidated level, Livelt registered a gain of USD5 million.

In reply to Mr. Turner's query on the classes of voting preferred shares, Mr. Delfin C. Gonzalez Jr., the Corporation's Chief Finance Officer, clarified that the Corporation had only one class of voting preferred shares, and these were called "voting preferred shares".

The President responded in the affirmative to Stockholder Jose Leonardo's query if the Corporation was involved in the Laguna Lake water development. Mr. Leonardo also inquired about the Corporation's involvement in recycled energy development. The Chairman responded that the Corporation has partnerships for the development of wind and solar power in the country.

On Stockholder Emil dela Cruz inquiry on when the offering of the Corporation's voting preferred shares happened in 2010, Mr. Solomon M. Hermosura, Assistant Corporate Secretary, explained that an offer was made to all stockholders to subscribe to voting preferred shares in May 2010, after the Securities & Exchange Commission approved the amendment to the Articles of Incorporation creating the voting preferred shares.

There being no other comments or questions from the stockholders, and on motion made by Mr. Jaime Villegas and duly seconded by Ms. April Bernal, shareholders owning 539,786,739 voting shares or 99.89% of total number of voting shares represented at the meeting approved the Annual Report, including the 2010 Audited Financial Statements, in its entirety. No shareholder voted against the approval of the Annual Report while shareholders owning 0.11% of the total number of voting shares abstained.

**RATIFICATION AND APPROVAL OF ALL RESOLUTIONS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE AS WELL AS ALL ACTS OF THE MANAGEMENT IN 2010 AND AS OF 18 APRIL 2011**

Upon the request of the Chairman, Ms. Nolloedo explained and sought the ratification and approval of all resolutions of the Board of Directors and the Executive Committee, as well as all the acts of the Management in 2010 and from January 2011 to 18 April 2011, which were reflected in the minutes of meetings, including Resolution No. B-02-11 approving the increase in the compensation of directors, Resolution No. B-03-11 approving the amendment of Article IV, Section 21 of the By-Laws authorizing the Board of Directors to fix the directors' compensation; provided that, the total yearly compensation shall not exceed one percent (1%) of the Corporation's net income before income tax during the preceding year as compared to the ten percent (10%) limit under the Corporation Code, and Resolution No. B-04-11 approving the amendment of Article III, Section 3 of the By-Laws to provide for electronic communications to stockholders who consent to receive notices and other communications electronically.

Other acts include the approval of contracts, projects, investments, and other acts which have been covered by disclosures to the Philippine Stock Exchange ("PSE") and the Securities and Exchange Commission. Also included were resolutions involving treasury and housekeeping matters such as bank transactions and designation of signatories.

On the amendments to the By-Laws, Ms. Nolloedo explained that the stockholders, at their annual meeting on 18 May 1989, delegated the power and authority to amend the By-Laws to the Board.

Upon the request of Ms. Nolloedo, Mr. John Philip S.Orbeta, the Corporation's Group Head for Corporate Resources, explained Resolution No. B-02-11 on the increase in the compensation of the directors. He informed the stockholders that, on 22 February 2011,

the Board resolved to recommend to the stockholders, for their approval, the increase in the compensation of non-executive directors as follows:

Type of Fee	From	To
<b>Retainer</b>	Php 500,000	Php 1,200,000
<b>Fee per meeting attended</b>		
<b>Board</b>	100,000	200,000
<b>Audit Committee</b>	20,000	100,000
<b>Other Committees</b>	20,000	50,000

With regard to the sending of electronic notices to stockholders, Stockholder Turner stated that there were instances when stockholders might not receive the notices sent regarding the annual meetings. He asked what the situation would be once sending via electronic notices was implemented. To this, Mr. Hermosura answered that the traditional mailing or personal delivery system would continue unless a stockholder consented to receiving electronic notices.

On motion made by Ms. Viva de Jesus, which was seconded by Ms. Hermie Lopez, shareholders owning 539,786,739 or 99.89% of total number of voting shares represented at the meeting approved and ratified all the resolutions of the Board of Directors and the Executive Committee and all the acts of the Management in 2010 and from January 2011 to 18 April 2011. No shareholder voted against and 0.11% abstained. Resolution No. B-02-11 approving the increase in the compensation of directors, Resolution No. B-03-11 approving the amendment of Article IV, Section 21 of the By-Laws authorizing the Board of Directors to fix the directors' compensation, and Resolution No. B-04-11 approving the amendment of Article III, Section 3 of the By-Laws, providing for electronic communications to stockholders were approved by the shareholders owning 539,665,549 voting shares or 99.87% of total number of voting shares represented at the meeting. Out of the total number of voting shares represented at the meeting, 0.02% voted against and 0.11% abstained.

**DECLARATION OF 20% STOCK DIVIDEND ON COMMON SHARES, INCREASE IN AUTHORIZED CAPITAL STOCK FROM PHP37 BILLION TO PHP56.2 BILLION AND THE AMENDMENT OF ARTICLE SEVENTH OF THE ARTICLES OF INCORPORATION TO REFLECT THE CAPITAL INCREASE AND TO CREATE SERIES C PREFERRED SHARES**

Upon the Chairman's request, the Chief Finance Officer, Mr. Gonzalez, informed the stockholders that, on 22 February 2011, the Board approved Resolution No. B-01-11 for the increase in the Corporation's authorized capital stock from PhP37 billion to PhP56.2 billion, the declaration of 20% stock dividend on common shares, and the amendment of the Seventh Article of the Articles of Incorporation to reflect the increase in the authorized capital stock and the creation of 40 million preferred shares, Series C, with par value of PhP100 each.

Mr. Gonzalez explained that the authorized capital stock of the Corporation would increase from PhP37 billion to PhP56.2 billion consisting of (i) 900 million common shares, an increase from 596 million common shares, with a par value of PhP50.00 per share; (ii) 12 million preferred "A" shares with a par value of Php100.00 per share; (iii) 58 million preferred "B" shares with a par value of Php100.00 per share; (iv) a new series of 40 million preferred "C shares with a par value of Php100.00 per share"; and (v) 200 million voting preferred shares with a par value of PhP1.00 per share.

He stated that there was no change in the feature of the common shares, preferred "A" shares, preferred "B" shares, and the voting preferred shares. He likewise informed the stockholders that the preferred "C" shares would have the same features as the preferred "A" shares and the preferred "B" shares.

To satisfy the required minimum subscription and the subscription payment for the increase in the authorized capital stock, Mr. Gonzales explained that the Board declared a 20% stock dividend equivalent to not less than 96 million shares.

After Mr. Gonzales explained Resolution No. B-01-11, Stockholder Turner asked Mr. Gonzales on dividends on preferred shares. Mr. Gonzalez clarified that only stockholders holding common shares would receive the 20% stock dividend.

A stockholder who did not identify himself asked if the preferred "C" shares would be registered with the PSE. Mr. Gonzalez answered that preferred "C" shares would be listed with the PSE upon their issuance. Only the voting preferred shares were not listed.

On stockholder Turner's query on the pre-emptive rights of the preferred "C" shares, Ms. Nolleto answered that there were no pre-emptive rights in the preferred "C" shares. The pre-emptive rights of stockholders applied only to common shares.

On motion made by Ms. Jenny Lomibao, which was duly seconded by Ms. Janet Bautista, shareholders owning 537,024,606 or 99.38% of total number of outstanding shares approved the declaration of a 20% stock dividend on common shares and the increase in authorized capital stock from Php37 billion to Php56.2 billion. Shareholders owning 0.49% of the total number of outstanding shares voted against and 0.13% abstained. The amendment of Article Seventh of the Articles of Incorporation to reflect the capital increase and to create series "C" preferred shares were approved by the shareholders owning 536,478,310 or 99.28% of total number of outstanding shares while 0.59% voted against and 0.13% abstained.

## **ELECTION OF DIRECTORS**

For the election of the seven (7) members of the Board for the ensuing year, the Assistant Corporate Secretary, Mr. Hermosura, explained that, in accordance with the requirements of the Corporation's By-Laws, its Manual of Corporate Governance and the Securities Regulation Code ("SRC"), the following stockholders were duly nominated for the position of directors of the Corporation for the ensuing year, all of whom have given their consent to their nomination:

Jaime Augusto Zobel de Ayala  
Fernando Zobel de Ayala

Xavier P. Loinaz  
Ramon R. del Rosario Jr.

Delfin L. Lazaro  
Nobuya Ichiki

Antonio Jose U. Periquet

Mr. Hermosura added that, pursuant to SRC Rule 38, Messrs. Loinaz, del Rosario, and Periquet were nominated as Independent Directors. He further informed the stockholders that the Corporation's Nomination Committee had ascertained in good faith that the seven (7) nominees, including the three nominees for Independent Directors, possessed all the qualifications and none of the disqualifications to serve as directors of the Corporation.

Upon motion by Ms. Ma. Angelica Rapadas, which was seconded by Mr. Jun Villaluz, without any objection, the nominees were declared elected directors of the Corporation for the ensuing year, effective upon their election on 18 April 2011, and until their successors are duly elected and qualified.

The votes received by the nominees (and percentage of voting represented) are as follows:

	Number of Votes (% of Voting Shares Represented)
<b>Jaime Augusto Zobel de Ayala</b>	538,479,979 (99.65%)
<b>Fernando Zobel de Ayala</b>	538,566,179 (99.67%)
<b>Nobuya Ichiki</b>	538,566,179 (99.67%)
<b>Delfin L. Lazaro</b>	538,566,179 (99.67%)
<b>Antonio Jose U. Periquet</b>	539,786,739 (99.89%)
<b>Ramon R. Del Rosario, Jr.</b>	539,786,739 (99.89%)
<b>Xavier P. Loinaz</b>	539,786,739 (99.89%)

## **ELECTION OF AUDITOR AND FIXING ITS REMUNERATION**

On the election of the Corporation's external auditor, Mr. Loinaz, Chairman of the Audit and Risk Committee, explained that the Committee had evaluated the 2010 performance of the Corporation's present auditor, the firm of SyCip Gorres Velayo & Co. ("SGV"), and that the Committee was satisfied with SGV's performance. Thus, the Committee and the Board agreed to endorse the re-election of SGV as the Corporation's external auditor for the fiscal year 2011 for an audit fee of ₱3,200,000.00, exclusive of value-added tax ("VAT") and out-of-pocket expenses, which was 5% higher than the fee last year.

When Stockholder Guillermo Gili asked what was meant by the word "fairly" in the 2010 Audited Financial Statements, a representative from SGV answered that it meant that the audit was done in accordance with the generally accepted audited standards.

On motion made by Ms. Beng Agbayani and duly seconded by Ms. Tonette Valdez, the firm of SGV was re-elected as the external auditor of the Corporation for fiscal year 2010 for an audit fee of ₱3,200,000.00, exclusive of VAT and out-of-pocket expenses. Shareholders owning 538,994,703 or 99.75% of the total number of voting shares represented at the meeting voted for the re-appointment of SGV as external auditor, while 0.02% voted against and 0.23% abstained.

## **OTHER MATTERS**

The Chairman opened the floor for questions or comments from the stockholders to matters that were relevant and of general concern to the stockholders.

Stockholder Gili noted that Globe Telecom acquired a loan from Allied Bank. He asked why the loan was not made with the BPI. The Chairman explained that banks have certain limits on their exposure, and noted that Globe Telecom had several expansion initiatives with tremendous requirements for capital and is spreading its relationship with other banks.

## **ADJOURNMENT**

There being no other matters to discuss, and on motion made by Stockholder Gili and duly seconded by Ms. Loy Danila, the meeting was adjourned.



**SOLOMON M. HERMOSURA**  
*Assistant Corporate Secretary*