

MESSAGE OF THE CHAIRMAN

2010 saw a peaceful political transition in the Philippines. Filipinos welcomed a new administration under President Noynoy Aquino, who won an overwhelming mandate in the May elections on an anti-corruption platform.

The country's Gross Domestic Product (GDP) grew by 7.3% in 2010, the highest growth rate achieved by the country since 1986, on the back of election-related stimulus spending in the first half, coupled with the recovery of the agricultural sector in the fourth quarter, as well as double-digit growth in exports and imports.

With renewed business confidence and optimism under President Noynoy Aquino's administration, the real estate industry as a whole, and your Company in particular, experienced record sales in 2010. This resulted in a 46% growth in Net Income to Php2.952 billion for Filinvest Land, Inc. (FLI).

Your Company currently has over 80 projects nationwide and FLI will continue to innovate and come up with projects to meet our customers' demands. For 2011, the number of units to be offered to our customers will be in the affordable and middle-income housing categories. We will also look into other projects of interest so that we can provide our customers from the affordable housing category and middle-income group with living units at the most affordable price in most convenient and accessible locations to avoid the inconvenience of travel and rising cost of transportation.

FLI will also expand its investment properties by increasing its retail space and BPO office buildings, which provide the Company with a recurring income stream.

I would like to thank our stakeholders, our shareholders, employees and business partners who have stood by the Company through the years. Together, we will work to bring the Company to even greater heights.



ANDREW L. GOTIANUN, SR.
Chairman of the Board



MESSAGE OF THE PRESIDENT & CEO



Although 2010 was relatively less turbulent than 2009, it still had its share of concerns especially in the first half of the year. Foremost were concerns about the May Presidential elections. In addition, the potential impact of the debt problems of some European Union member countries on OFW employment and remittances dampened business confidence in the early part of the year.

But these concerns were set aside as renewed optimism set in with the election of a new President with a significant mandate. The quick vote counting and proclamation boosted business and investor confidence.

In 2010, Gross National Product (GNP) grew by 7.2% while OFW remittances reached US\$18.8 billion or an 8.2% year-on-year growth. Interest rates dipped to record lows while inflation averaged at 3.8% with the prices of construction materials remaining relatively stable.

The strong economic environment enabled your Company to reach new heights in its performance.

FINANCIAL HIGHLIGHTS

FLI's net income for 2010 reached Php2.952 billion, a 46% increase from 2009. This was inclusive of Php496 million in Net Gain from Business Combination resulting from the February 2010 purchase of our partner's 40% stake in Cyberzone Properties, Inc. (CPI) and Filinvest AII Philippines, Inc. (FAPI). CPI is the developer of the 10-hectare Northgate Cyberzone while FAPI is the developer of the Timberland Sports and Nature Club and a phase of Timberland Heights in San Mateo, Rizal.

Excluding the Gain from Business Combination, net income from the regular operations of FLI still grew by a significant 22% to reach Php2.426 billion.

Real Estate Sales reached a record Php5.652 billion, 54% more than the year before. Around 91% were accounted for by your Company's core business of mass housing which includes socialized, affordable and middle-income residential lots, house & lot packages and condominium units of up to Php4 million each. The balance of 9% came from our other product lines such as high-end projects, farm estates, club shares, industrial lots and entrepreneurial lots (Asenso Village).

Meanwhile rental revenues grew by 19% year-on-year to Php1.411 billion. The growth in rental revenues is attributed to the higher

lease rates as well as higher occupancy rates at our BPO office buildings in Northgate Cyberzone. A new building, Vector One, also started contributing to revenues in December 2010. With eleven (11) office buildings currently operating, Northgate Cyberzone has a total gross leasable area (GLA) of 113,000 square meters.

Other sources of your Company's rental income are the PBCom Tower in Makati, the tallest office building in the country, and Festival Supermall in Filinvest Corporate City (FCC), the largest mall in southern Metro Manila.

Your Company's Balance Sheet remains very healthy with debt to equity ratio at 0.29:1 and a net debt to equity ratio of only 0.24:1 as of end-December 2010. FLI ended the year with a cash position of Php1.8 billion.

Because of its strong financial position, your Company has a credit rating of PRS Aaa for its retail bonds – the highest possible rating for a company.

STOCK MARKET PERFORMANCE

Your Company's share price closed at Php1.31 as of the end of 2010. This is 45.6% higher than the end-2009 close of Php0.90. FLI's share price outperformed the benchmark Philippine Stock Exchange index (PSEi) which rose by 37.6% during the same period.

The stock market was in consolidation mode in the first half of the year, primarily due to concerns about the Presidential Elections in May, as well as the possible impact on OFW remittances of the debt problems of some members of the European Union. With elections generally peaceful and the smooth transition of power, the stock market rose and peaked in early November. However, concerns over possible higher inflation due to rising prices of commodities, and the anticipated increase in interest rates, saw foreign investors exiting emerging markets, the Philippines included, which caused a correction in the local stock market, especially in early 2011.

For 2010, your Company paid a regular cash dividend of Php0.017 per share, representing the 20% dividend policy payout rate. In addition, your Company also paid a special cash dividend of Php0.016 per share,

bringing total dividends to Php800 million. The total cash dividends represent 40% of the previous year's net income of Php2.018 billion.

PROJECT HIGHLIGHTS

FLI generated sales reservations of Php10 billion in 2010, 42% more than the previous year, and another record in your Company's history. Our core business of mass housing accounted for over 90% of total, with MRBs, which fall under middle-income housing, contributing the most to the growth. We currently have nine (9) MRB projects in Metro Manila, Cebu and Davao.

2010 saw the launching of Citta di Mare, our 50.6 hectare premier mixed-use development project in Cebu – a joint venture with the Cebu City government. Citta di Mare, Italian for "City by the Sea," is a master-planned development composed of Il Corso, the 10.6-hectare waterfront lifestyle strip, and four resort-themed residential clusters, with The Piazza, the recreational and commercial anchor of the residential communities. Amalfi Oasis and San Remo Oasis, the first residential projects in Citta di Mare, were launched in July 2010.

As of the end of 2010, FLI had 86 ongoing projects nationwide. Nine new projects were launched during the year, which included three new socialized housing projects, namely Castillion Homes and Mistral Plains in Cavite and Sunrise Place Mactan in Metro Cebu. We also offered 18 additional phases in ongoing projects.

FLI also announced two residential projects within FCC. Studio City is mainly targeted at those working in the business process outsourcing (BPO) office buildings within Northgate Cyberzone while The Levels is a middle-income project located at one of the highest points of FCC.

OUTLOOK FOR 2011

2011 started with inflationary concerns as prices of some commodities hit all-time highs, brought about by floods in Australia, drought in China as well as adverse weather

conditions and natural disasters in other parts of the world. This has been exacerbated by the ongoing political unrest in the Middle-East and Northern Africa that has caused oil prices to soar.

The political unrest could also affect OFW remittances, as the countries in the Middle East accounted for close to 16% of OFW remittances in 2010. Moreover, the Philippine Overseas Employment Administration (POEA) expects a 6% drop in OFW deployment this year with the strict implementation of a new law intended to protect the rights of migrant workers by mandating, among others, the insurance coverage for every Filipino worker to be deployed abroad, which would entail additional costs for prospective employers. However, the Bangko Sentral ng Pilipinas (BSP) still expects remittances to grow by up to 8% in 2011 as more skilled workers are deployed. Other economists expect a slower growth rate of 3% to 7%.

On the other hand, local business sentiment remains optimistic with the country's economic growth expected to be sustained, although at a slower pace than in 2010.

Despite the challenges, your Company remains optimistic about the prospects for 2011. We believe that we are still in the early stages of a growth cycle and that 2011 will be a good year for the real estate sector. We plan to launch 17 new projects and 24 additional phases of existing projects. These projects have a total potential sales value of Php13 billion and are equivalent to over 14,000 units, or almost double the close to 7,300 units we launched in 2009. The new projects include four (4) socialized housing projects and six (6) affordable housing projects in Bulacan, Pampanga, Rizal, Laguna, Cavite and Batangas. We also plan to launch two new MRB projects in Metro Manila, namely, Bali Oasis 2 and Belize Oasis. This will bring to eleven (11) the number of your Company's MRB projects.

We will also be expanding our sources of recurring rental income. We will start the expansion of the Festival Supermall, which will add 44,000 square meters of Gross Leasable Area (GLA) to our retail anchor in FCC. Construction of the 18,000-square-meter Vector Two in Northgate Cyberzone is expected to be completed within the year, while we will commence construction of another BPO building. These two buildings will add 34,000 square meters of GLA to the current portfolio of eleven (11) BPO office buildings within Northgate Cyberzone.

We will also begin development of Il Corso, the 10.6-hectare waterfront lifestyle strip of Citta di Mare that will offer a wide range of retail, food, entertainment and seaside leisure activities. Phase 1 of the development covers four hectares and will include a boardwalk, beachfront retail spaces, restaurants, a 2,500-square-meter exhibition tent and a 4,500-square-meter sandbox that may be used for beach volleyball and other sports.

To support the development of our projects, we have budgeted Php12 billion for capital expenditure this year, more than double the Php5 billion we spent in 2010. We intend to fund these projects with internally generated funds and additional bank borrowings, as needed.

FLI is also planning new offerings within FLI's existing township developments. New socialized and affordable housing projects will be made available within Ciudad de Calamba in Laguna, as well as new residential clusters within Timberland Heights in San Mateo, Rizal and Havila in Antipolo and Taytay, Rizal.

True to our motto of "We Build the Filipino Dream," your Company will continue to bring to the market innovative products that are affordable to the majority of the Filipino population in order to fulfill every Filipino family's dream of owning their own home. We will constantly strive to provide quality and value in the markets we serve.

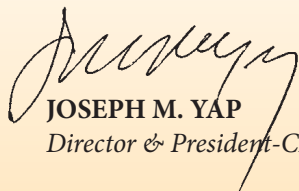
Your Company and its employees continue to share our blessings with our less fortunate brothers. In November last year, over 80 of our employees visited the Hospicio de San Jose in Manila to share with the over 150 orphans and their caregivers a half day of fun and games. Aside from groceries, toys and used clothing, we also donated Php70,000 to the institution.

FLI has also committed to give a monthly donation to the Bethlehem Day Care Foundation, Inc. located in the Inayawan Garbage Dumpsite across South Road Properties in Cebu. The day care center provides scholarships, food, uniforms and school supplies to the children of families who scavenge in the dumpsite. Recently, we also provided free medical check-ups and medicines for some 180 indigent persons at the Bubuyan High School in Calamba, Laguna.

Our employees are our most valued resource and in 2010 we continued to conduct training programs aimed at enhancing skills, improving productivity and developing leadership. In 2010, we conducted a total of 42 sessions for different training programs, participated in by 438 employees. These programs range from the orientation of new employees to technical training for engineers and customer service. We signed an agreement with the Philippine National Red Cross (PNRC) to establish an exclusive blood bank for Filinvest employees and their dependents, organize regular blood donation activities and provide training in first aid, emergency and rescue, trauma and cardiopulmonary resuscitation (CPR). We also offered wellness programs covering the awareness of cervical cancer, dangerous drugs and weight management, among others, to help the FLI family keep a healthy balance between their work and home life.

Your Company is also strongly committed to preserving the environment. In our Timberland Heights project, for example, we have our own in-house forester who is in charge of monitoring all the environment-related issues like pollution levels, vegetation and proper sewage disposal. We conduct regular tree-planting activities in cooperation with various schools and civic organizations that resulted in 2,800 trees planted in 2010 alone, and 10,000 trees planted so far. Aside from the required open spaces, an additional 7% to 12% of the total land area of Timberland Heights will be preserved for greenways, nature parks, hiking and biking trails. We have also set aside 6.3 hectares for a nature park and agro-forestry center in cooperation with the University of the Philippines-Los Baños Institute of Agro-Forestry.

2011 will be a challenging year. Your Company remains financially prudent in its undertakings, but at the same time ready to take advantage of opportunities when they arise and strengthen our position as a market leader in providing mass housing in the country. Your management and staff will continue to work together to make FLI even bigger and stronger.


JOSEPH M. YAP
Director & President-CEO