PSE Number: PR-010
SEC Number: 152-747
File Number: ________

AYALA LAND, INC.

(Company's Full Name)

c/o 29/F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 848-5313

(Telephone Number)

June 30, 2003

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

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 **June 30, 2003**

2. Commission Identification Number **152747**

3. BIR Tax Identification No. **050-000-153-790**

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 29/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226

8. Issuer's telephone number, including area code: **(632) 848-5313**

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 June 30, 2003

Title of each class	Number of shares issued and outstanding
Common shares	**10,693,696,793**

    Amount of Debt Outstanding
    P 12.34 Billion

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

    Stock Exchange: **Philippine Stock Exchange**
    Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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Notes to Consolidated Financial Statements

1. The consolidated financial statements are prepared in accordance with generally accepted accounting principles and under the historical cost convention. Accounting principles/policies and methods of computation applied for the six months ended June 30, 2003 are the same as those applied in the preceding calendar year, except for the adoption of SFAS 38/IAS 38 (Intangible Assets) beginning 2003. Under this new SFAS/IAS, pre-operating expenses as of December 31, 2002 applicable to group companies, amounting to a total of P82 million, have been charged against unappropriated retained earnings at the beginning of 2003.

2. Principles of Consolidation

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

	Effective Ownership (%)
Real Estate:	
Amorsedia Development Corporation and subsidiaries	100
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc.	100
Crimson Field Enterprises, Inc.	100
First South Properties, Inc.	100
Food Court Company, Inc.	100
Laguna Properties Holdings, Inc. (LPHI) and subsidiaries	100
Liberty Real Holdings Corp. (LRHC)	100
Red Creek Properties, Inc.	100
Aurora Properties, Inc. (API)	70
Vesta Property Holdings, Inc.	70
Laguna Technopark , Inc.	61
CMPI Holdings, Inc.	60
ALI-CII Development Corporation	50
Roxas Land Corporation (RLC)	50
Construction:	
Makati Development Corporation	100
Hotels:	
Ayala Hotels, Inc. and subsidiaries	50
Property Management:	
Ayala Property Management Corporation	100
Ayala Theatres Management, Inc. and subsidiaries	100
Entertainment:	

Five Star Cinema, Inc.	100
Leisure and Allied Industries Phils., Inc (LAIPI)	50
Others:	
ALInet.com, Inc.	100
Ayala Infrastructure Ventures, Inc	100

3. Receivables

Aging of Receivables (as of June 30, 2003; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	1,601	1,212	4,077	431	7,321
Non-Trade Receivables	543	643	1,143	2	2,331
Total	2,144	1,855	5,220	433	9,652

4. Loans Payable and Long-Term Debt

Loans Payable (as of June 30, 2003; in Million Pesos)

Borrower	Amount
ALI	1,741
API	44
AGDC	143
CIHCI	30
LAIPI	20
LPHI	200
RLC	125
Total	2,303

Long-Term Debt (as of June 30, 2003; in Million Pesos / US$)

	Current		Non-Current		Total	
Borrower	Peso *	US$	Peso *	US$	Peso *	US$
AGDC			85		85	
ALI (incl. Bonds)	250		6,830		7,080	
CIHCI	61	1.14	92	1.71	153	2.85
	7		96		103	
LPHI	91		744		835	
LRHC			940		940	
MPVI	153	2.86	688	12.85	841	15.71
Total	562		9,475		10,037	

* *Peso equivalent of US$ loans (when applicable);*
Exchange rate of P53.522/US$ (PDS average for June 30, 2003)

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans – January – June 2003 (in Million Pesos)

Borrower	Amount	Nature
ALI	2,090.9	bank loans
CIHCI	30.0	bank loan
LPHI	5.4	bank loan
LRHC	500.0	bank loans
RLC	75.0	bank loan
Total	2,701.3	

Repayments of Debt and Equity Securities – January – June 2003 (in Million Pesos)

Borrower	Amount	Nature
ALI	800.0	payment of loan
AGDC	97.5	amortization/payment on bank loan
CIHCI	30.5	amortization on US$ loan *
LAIPI	10.0	payment of loan
LPHI	51.8	amortization on bank loan
MPVI	76.5	amortization on US$ loan *
RLC	150.0	payment of bank loan
Total	1,216.3	

** Amounts converted into Pesos at P53.522/US$1 (PDS average for June 30, 2003)*

5. Accounts Payable and Accrued Expenses

The accounts payable and accrued expenses pertain to the accrual of various expenses incurred on all projects, taxes payable, and payable to contractors, retention payables and trade payables, while the other current liabilities/non-current liabilities refer to the deposits from commercial centers and from the sale of condominium units and subdivision lots, and long-term retentions.

The breakdown of accounts payable and accrued expenses, and other current liabilities/non-current liabilities are not available at this time. The said accounts are presented in the format provided to Ayala Land by the external auditors, Sycip, Gorres, Velayo & Company (SGV & Co.), and are consolidated with Ayala Land's various subsidiaries and affiliates.

6. Causes for any material changes *(+/- 10% or more)* in the financial statements

Income Statement items – 1H 2003 versus 1H 2002

21% increase in real estate revenues
Principally due to sales of new projects such as Ayala Hillside Estates, Plantanzionne Verdana Homes, One Legazpi Park, The Columns, new mass housing projects; lot sales at Madrigal Business Park and Laguna Technopark in 1H2003; and higher rental revenues from shopping centers given new spaces at Greenbelt 2 & 3 as well as escalation on basic rent.

86% increase in interest and other income
Mainly due to gain on sale of shares of a landholding company and higher interest income from installment sales of mass housing and core-mid residential projects.

29% increase in real estate cost and expenses
Mainly due to higher real estate revenues and change in revenue/product mix.

35% increase in general and administrative expenses
Primarily due to professional fees, higher payroll costs and ad & promo expenses; and additional expenses from new subsidiaries such as Ayala Land Sales, Inc. and Community Innovations, Inc.

153% increase in interest and other charges
Principally due to payment of unpaid balances in real estate property taxes (RPT) and higher consolidated debt.

47% increase in provision for income tax
Basically due to lower taxable income as a result of the RPT payment.

Balance Sheet items – June 30, 2003 versus End-2002

32% decline in cash and cash equivalents
Principally due to payment of ALI's share in the settlement of the Larouge loan in exchange for its stake in Bonifacio Land Corp.

12% increase in current portion of accounts and notes receivables
Primarily due to the increase in real estate sales.

22% increase in condominium and residential units for sale
Largely due to partial completion of new residential building projects such as One Legazpi Park, The Residences at Greenbelt and The Columns.

15% increase in deferred income tax and other current assets
Mainly due to higher input VAT and creditable withholding taxes of some subsidiaries.

29% increase in non-current accounts and notes receivables
Largely due to increase in installment sales.

14% increase in investments
Primarily due to the investment in Bonifacio Land Corp. and additional construction costs for Market! Market! and Greenbelt redevelopment.

11% decline in accounts payable and accrued expenses
Mainly due to the payment of taxes for FY2002 and 1Q2003 and lower income tax accrual for 2Q2003 due to decline in taxable net income following the payment of unpaid balances in RPT.

19% increase in loans payable
Principally due to new loan availments.

79% increase in current portion of long-term debt
Largely due to reclass of maturing principal amortization of long-term debt.

56% increase in current portion of estimated liability for land and property development
Primarily due to new sales at existing and new projects.

33% increase in other current liabilities
Mainly due to additional buyers' deposits for new projects.

10% increase in long-term debt (net of current portion)
Principally due to new loan availments.

110% increase in non-current portion of estimated liability for land and property development
Primarily due to new sales at existing and new projects.

<u>Cash Flow items</u> – 1H 2003 versus 1H 2002

Higher outflow for investments
Primarily due to the investment in Bonifacio Land Corp. and additional construction costs for Market! Market! and Greenbelt redevelopment.

7. Segment information

(in million Pesos)	Land, Condo-minium and Resd'l Units	Rentals	Hotel Operations	Construction	Others	Total
YTD-JUNE 2003						
Revenues	2,862.1	1,793.2	595.8	291.4	910.2	6,452.7
Operating expenses	2,392.0	502.9	479.3	213.0	283.1	3,870.3
Earnings before interest, taxes, depreciation and amort (EBITDA)	470.1	1,290.3	116.6	78.3	627.1	2,582.4
Depreciation and amortization	23.2	205.6	96.2	38.8	34.4	398.3
EBIT	446.9	1,084.7	20.4	39.5	592.7	2,184.1
Segment assets	32,314.6	14,060.0	4,600.8	1,249.0	13,053.1	65,277.6
Segment liabilities	10,408.7	1,997.2	3,354.3	978.9	12,351.1	29,090.2
YTD-JUNE 2002						
Revenues	2,012.5	1,530.1	648.5	544.6	489.6	5,225.3
Operating expenses	1,596.7	326.7	455.1	476.3	172.0	3,026.9
Earnings before interest, taxes, depreciation and amort (EBITDA)	415.8	1,203.4	193.4	68.3	317.6	2,198.4
Depreciation and amortization	18.8	191.0	114.9	26.3	26.3	377.2
EBIT	396.9	1,012.4	78.5	42.0	291.4	1,821.2
Segment assets	30,105.8	13,651.1	5,049.1	1,536.0	12,087.3	62,429.3
Segment liabilities	7,733.5	1,876.5	3,646.8	1,194.9	11,720.7	26,172.4

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

Results of Operations for the Six Months Ended June 30, 2003

Against a backdrop of continued decline in local interest rates, Ayala Land posted modest growth in the first half. Consolidated revenues totaled P6.45 billion, up by 23% year-on-year. Net income grew by 3% to P1.10 billion.

Leasing operations continued to drive revenues, contributing P1.79 billion or 28% of total. Rental revenues grew by 17% year-on-year, with much of this growth coming from Greenbelt 2 & 3 as well as the 5-12% increase in Ayala Center's basic rental rates. The mall maintained a high occupancy rate of 96% even with its continuing expansion. Additional leasable area will come on stream when Greenbelt 4 opens in the fourth quarter of this year. Residential units for lease at One Roxas Triangle and at the 28-unit The Residences at Greenbelt also contributed to rental revenues. Meanwhile, office leasing contribution was fairly steady as the Company's office buildings maintained high occupancy rates which averaged at 95%.

Land sales generated P1.11 billion in revenues, accounting for 17% of consolidated revenues. This represents a 57% year-on-year increase, primarily from sales of new projects launched in the second half last year, namely Ayala Hillside Estates and Plantazionne Verdana Homes, boosted by higher sales bookings at Ayala Westgrove Heights. Tamarind Cove, a joint venture pocket residential development in Alabang, was launched in May and offered 20 prime lots, 9 of which represent ALI's share. At the end of June, 45% of the 20 lots have been taken up. In June, ALI launched the second phase of Paseo de Magallanes, offering 17 residential lots and 6 commercial lots which at the end of the same month were 53% and 17% taken up, respectively. The sale of two business lots at the Madrigal Business Park and two industrial lots at the Laguna Technopark also contributed to higher land sale revenues.

New mass housing projects of Laguna Properties Holdings, Inc (LPHI) in Dasmarinas, Cavite, Lipa, Batangas and Naga City enabled the Company to book 557 units in the first half, 67% higher than the same period last year. This translated to an 81% increase in mass housing revenues to P817 million, representing 13% of consolidated revenues. In June, LPHI further widened its product offerings and launched its first medium-rise residential building project in Parañaque, One Aeropolis, with the project's first of twelve towers offering 236 units for sale. In July, the Company inaugurated Riego de Dios Village, an affordable housing project in Tanza, Cavite to cater to the housing needs of the AFP soldiers. The project will be offered for sale within the third quarter. Both One Aeropolis and Riego de Dios Village will start to contribute to revenues in the second half of the year.

Revenues from high-end residential unit sales contributed 11% to total revenues and grew by 37% to P736 million, primarily due to more unit bookings at One Roxas Triangle, as well as additional sales and recognition of completion on prior year's sales of One Legazpi Park, Ferndale Homes and Montgomery Place. In June, the Company successfully launched the 249-unit The Residences at Greenbelt - Laguna Tower, the first of three towers that will rise in a prime residential condominium complex within Ayala Center. The project was well-received, with take up rate posted at 44% at the end of June, less than three weeks from launch.

The negative effect of SARS in the hotel sector was evident in generally lower occupancy rates which brought hotel revenues down by 8% to P596 million, which accounted for 9% of consolidated revenues. The Company's hotel occupancy rates, however, continued to stay above industry averages. Hotel Intercontinental and Oakwood Premier were 59% and 70% occupied, respectively, higher than MCBD's average of 58%. Meanwhile, Cebu City Marriott Hotel was 71% occupied, compared to Cebu hotels' average of 56%.

Given limited opportunities in the construction sector, revenues from construction projects of wholly owned subsidiary Makati Development Corporation declined by 46% to P291 million, and accounted for 5% of total revenues.

The Company's newest business line which caters to the core-middle income residential segment performed well and contributed P200 million in revenues, representing 3% of total. With limited remaining inventory at the first tower of The Columns launched last November, Community Innovations, Inc. (CII) offered for sale another 284 units in the second tower in March. At the end of June, the first tower was 90% taken up while the second tower posted a 30% take-up rate. Meanwhile, CII's maiden project, Verdana Homes, had full take-up on its 468 lots, and a 97% take-up on its 88 house-and-lots.

Financial Condition

During the first half, the Company continued to allocate resources for strategic investments and further leveraged on its balance sheet with the expanded coverage of its in-house financing schemes.

Total disbursements for projects and capital expenditures amounted to P4.0 billion, about 51% of the P7.9B budget for the whole year. This included the P2.8 billion investment in Bonifacio Land Corporation.

Although new loans brought total borrowings up to P12.34 billion, bank debt-to-equity and net debt-to-equity remained at comfortable levels of 0.34:1 and 0.23:1, respectively. Liquidity was high with current ratio at 1.81:1. Cashflow is expected to improve with possible additional sales to be generated by the ongoing asset rationalization program.

Given favorable market response to new projects, the Company will continue to launch the projects it had lined up for the rest of the year.

PART II - OTHER INFORMATION

Item 3. 2Q 2003 Developments

A. New project or investments in another line of business or corporation	In April 2003, ALI/Greenfield finalized the acquisition of a 50.38% stake in Bonifacio Land Corporation.
B. Composition of Board of Directors	Fernando Zobel de Ayala — Chairman Jaime Augusto Zobel de Ayala II — Vice Chairman Francisco H. Licuanan III — President Mercedita S. Nolledo — Director Delfin T. Lazaro — Director Leandro Y. Locsin, Jr. — Director Ramon R. del Rosario, Jr. — Director Aurelio R. Montinola III — Director Nieves R. Confesor — Director
C. Performance of the corporation or result/progress of operations	Please see unaudited consolidated financial statements.
D. Declaration of dividends	P0.03 /share cash dividend Declaration date: June 20, 2003 Record date: July 25, 2003 Payment date: August 20, 2003
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	*Stock Options:* As of June 30, 2003, stock options outstanding are as follows: ESOP 141,382,977 ESOWN 1,757,600 143,140,577
G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate	None.
H. Other information, material events	In June 2003, Ayala Land (for the account of

or happenings that affected or may affect market price of security	Community Innovations, Inc.) bidded for the 25-hectare Fort Bonifacio property owned by the Bases Conversion Development Authority. The property was awarded to another bidder.
I. Transferring of assets, except in normal course of business	None.

Item 4. Other Notes to 1H 2003 Operations and Financials

J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents	Please see Notes to Financial Statements (Item #6).
K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period	With the adoption of SFAS 38/IAS 38 (Intangible Assets) beginning 2003, pre-operating expenses as of December 31, 2002 applicable to group companies, amounting to a total of P82 million, have been charged against unappropriated retained earnings at the beginning of 2003.
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	None.
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. Existence of material contingencies	In June 2003, Ayala Land and its subsidiaries paid

and other material events or transactions during the interim period	a total of P450M to the Makati City government representing full payment of unpaid balances in real property taxes up to December 31, 2002.
Q. Material commitments for capital expenditures, general purpose and expected sources of funds	For 2003, Ayala Land is budgeting P7.9 billion for project and capital expenditures. This will be financed through a combination of internally-generated funds, borrowings and pre-selling. For the first half of 2003, the Company disbursed 51% of the full year budget.
R. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations	Ayala Land's performance will continue to hinge on the overall economic performance of the country. Concerns about job security and possible rise in interest rates are factors which may affect the performance of the real estate industry, including the Company.
S. Significant elements of income or loss that did not arise from continuing operations	None.
T. 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 #6).
U. Seasonal aspects that had material effect on the financial condition or results of operations	ALI's rental portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from retail rental properties due to holiday spending in malls. The Company's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.
V. Disclosures not made under SEC Form 17-C	None.

SIGNATURES

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:

Jaime E. Ysmael
Senior Vice President & Chief Finance Officer

Date: August 5, 2003