

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATIONS CODE (SRC)  
AND SRC RULE 17(a)-1(b)(3) THEREUNDER

- 1. **February 8, 2008**  
Date of Report (Date of earliest event reported)
  
- 2. **152747**  
SEC Identification Number
  
- 3. **050-000-153-790**  
BIR Tax Identification Number
  
- 4. **AYALA LAND, INC.**  
Exact Name of registrant as specified in its charter
  
- 5. **MAKATI CITY, PHILIPPINES**  
Province, country or other jurisdiction of incorporation
  
- 6.  (SEC Use Only)  
Industry Classification Code
  
- 7. **29/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City**  
Address of principal office
  
- 1226**  
Postal code
  
- 8. **(632) 848-5313**  
Registrant's telephone number, including area code
  
- 9. **Not Applicable**  
Former name or former address, if changed since last report
  
- 10. Securities registered pursuant to Sections 4 and 8 of the SRC

**As of December 31, 2007**

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
<b>COMMON SHARES</b>	<b>13,034,632,108</b>	<b>P 10.1 Billion</b>

Indicate the item numbers reported herein : **Please refer to attached letter**

Re: 2007 Unaudited Financial Results

Pursuant to the requirements of the Securities Regulations Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date : **February 8, 2008**

**AYALA LAND, INC.**

Registrant

**JAIME E. YSMAEL**

Senior Vice President, CFO,  
and Compliance Officer



SEC Reg. No. 152747  
SEC Sec. Code No. E-5000

February 8, 2008

**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Mandaluyong City

Attention: **Director Justina F. Callangan**  
Corporation Finance Department

**PHILIPPINE STOCK EXCHANGE**

4/F PSE Center, Exchange Road  
Ortigas Center, Pasig City

Attention: **Atty. Pete M. Malabanan**  
Head, Disclosure Department

Gentlemen,

We submit herewith Ayala Land's unaudited consolidated financial results for the year ended December 31, 2007.

### **Results of Operations**

Ayala Land, Inc. ("the Company") posted a healthy 13% growth in consolidated net income, reaching Php 4.4 billion from Php 3.9 billion last year, on the back of significant margin expansion in the Company's key business lines. Consolidated revenues meanwhile increased 1% to P 25.7 billion from Php 25.6 billion in 2006.

Revenue growth was tempered by the accelerated residential revenue bookings in 2006 following the adoption of a standardized revenue recognition policy and the absence of BPO leasing revenues from the sale of PeopleSupport Building in the fourth quarter of 2006. As a result, operating revenues contributed by the Company's five core and three support businesses amounted to only Php 22.9 billion last year, down by 3% from Php 23.6 billion in 2006.

The impact of the decline in operating revenues was offset by robust growth in Interest and Other Income which grew by 25% to Php 2.1 billion. This was driven by the gain on the sale of 16,758 preferred shares in KHI-ALI Manila, Inc. (KAMI) to Kingdom Manila B.V. in connection with the development of a luxury hotel complex within Ayala Center. Also boosting revenues were higher equity earnings from Ayala Land's corporate investment vehicles for Bonifacio Global City, as well as the improved earnings performance of affiliates Cebu Holdings, Inc. (CHI) and Alabang Commercial Corporation (ACC), which accounted for Php 787 million, compared to Php 306 million in 2006. Meanwhile, the Company booked a net gain after tax of Php 599 million from the sale of shares in Makati Property Venture, Inc (MPVI) to the Ascott Residence Trust.

Driving the company's profitability was increased pricing power, particularly in the company's residential projects, as well as tight control of operating expenses. As a result, overall net operating

income (NOI) margin increased to 34% from 31% in 2006, with residential development and corporate business contributing most of the improvement.

General and administrative expenses grew modestly by 4% to Php 2.7 billion due to the initiatives undertaken to further build up the organization for the current aggressive expansion programs. However, interest and other charges increased to Php 1.8 billion or by 64% due to expenses related to the Glorietta 2 explosion and incurred as a result of KAMI transaction.

## **Business Segments**

The Residential Development business accounted for the bulk of revenues at Php 13.0 billion or 50% of total revenues. This was followed by Shopping Centers at Php 4.2 billion or 16% of total and Corporate Business at Php 993 million or 4% of total. Strategic Landbank Management generated Php 373 million and Visayas-Mindano added Php 176 million for a combined 2% share of total revenues.

Collectively, the Support Businesses, comprised of Hotels, Construction and Property Management, reported revenues of Php 4.2 billion, or 16% of total revenues. The balance of Php 2.9 billion or 11% of total revenues was from Equity in Net Earnings, Interest and Other Income.

### ***Residential Development***

Residential Development revenues amounted to Php 13.0 billion in 2007, 7% lower than the Php 14.0 billion posted in 2006. Avida Land reported a significant 54% increase in revenues but Ayala Land Premier (ALP) and Community Innovations (CII) pulled down Avida's gains. Despite the increase in unit bookings in 2007, ALP and CII's revenues declined due to the acceleration of revenues in 2006 as a result of the standardization of the revenue recognition policy implemented in the second quarter of 2006. Revenue recognition for all brands should normalize by 2008.

Overall demand for residential projects remained strong with 4,404 units booked during the year, 39% more than 2006. The value of these units was 25% higher at Php 16.0 billion versus the Php 12.8 billion last year. A total of 5,182 units were launched in 2007, 12% more than the previous year.

*Ayala Land Premier.* Revenues of ALP stood at Php 7.3 billion in 2007, 15% less than what was posted last year. 1,358 units were booked in 2007, compared to 1,352 units in 2006.

High-end lots contributed Php 2.0 billion or 25% less year-on-year (y-o-y) due to less lots sold in Sonera, which is nearly sold-out (5 lot sales in 2007 versus 103 in 2006), and Ayala Greenfield (113 lots in 2007 versus 135 in 2006). Abrio, the high-end residential development in Nuvali launched in October 2007, was a large success with 84% take-up of the 267 units launched in just two months and with bookings of 87 lots. Revenue impact was muted though since average completion was only at 28% by year-end. Revenues from high-end units were lower by 16% at Php 4.4 billion, despite the increase in units booked at The Residences at Greenbelt (TRaG), which ended at 357 from 224 the previous year. Meanwhile, revenues from leisure project Anvaya Cove reached Php 840 million, 42% more than the Php 593 million in 2006 as an additional 350 beach club shares, 74 lots and 9 villas were booked.

*Community Innovations, Inc.* CII reported a 19% drop in revenues to Php 3.0 billion despite the 53% jump in booked units to 1,198 from 785 last year. The standardization of the revenue recognition policy last year effectively pulled forward the booking of revenues for completed projects in 2006.

The higher sales bookings are largely due to brisk sales at newly-launched projects such as Marquee Place in Pampanga and The Aston, the first of four high-rises at Two Serendra.. 290 units were booked at Marquee Place which was launched only in June, and achieved 44% completion by year-end. Similarly, 174 units were booked at The Aston, which registered 17% completion. With construction completion only at 6%, revenue contribution from the 208 booked units at The Columns Legaspi Village Tower Two was marginal. Likewise, Treveia in Nuvali booked 71 units but had 0% completion and therefore no revenue recognition by year-end.

*Avida Land.* Avida's revenues grew by 54% to Php 2.7 billion in 2007. This was due to the 2007 bookings of 1,848 units compared to only 1,033 units in 2006. Bulk of the revenues came from the newly-launched Avida Towers Makati West (231 bookings at 27% completion), Avida Towers San Lazaro (285 bookings at 57% completion), Avida Settings in Nuvali (99 bookings at 10% completion).

*Overall Net Operating Income (NOI).* NOI for the residential business reached Php 3.5 billion, 15% more than the previous year despite the drop in revenues. This is attributed to the five percentage point improvement in NOI margin to 27% from 22%, with all three brands enjoying healthy pricing power and contributing to the increase. In 2008, about 5,600 units from new projects and additional phases of existing projects will be launched and added to inventory, 8% more than what was brought into the market in 2007. Some projects will be in new locations such as Pasig, Marikina and the northern part of Quezon City.

### ***Shopping Centers***

Shopping Centers reported a 5% rise in revenues to Php 4.2 billion in 2007. This is attributed to the higher occupancy rate of consolidated malls (which averaged 95% compared with 93% in 2006), the 4% increase in average building rental rates, and a higher gross leasable area (GLA).

The opening of the 195,000-square meter TriNoma in May brought total GLA to 960,000 square meters from 760,000 square meters at end-2006. As of end-2007, 87% of the 72,000 square meters building leasable area (excluding the area occupied by anchor tenant Landmark) of TriNoma had been occupied. Phase 1 of Greenbelt 5, which soft-opened in October, was 100% leased out/committed as of year-end.

The NOI of Shopping Centers dropped slightly by 1% to Php 2.4 billion following the absence of one quarter's earnings from the high-margin Glorietta 2 mall, as a result of the unfortunate explosion last October 19. Because of this, the resulting NOI margin likewise declined by three percentage points and stood at 58% from 61% the previous year. Equity in Net Earnings from equitized malls, namely, Alabang Town Center, Pavilion Mall and TriNoma was higher at Php 124 million from Php 85 million last year. It is notable however that TriNoma already reached a positive NOI margin contribution in its initial year of operations.

In 2008, an additional 18,000 square meters of GLA will come on stream from the opening of Phase 2 of Greenbelt 5 in October. About 9,500 square meters of Glorietta 5 will also be operational later in the year. Construction of the 70,000-square meter Q Shopping in Angeles, Pampanga is ongoing, with a target opening of May 2009. Meanwhile, planning is underway for a retail-BPO development on a nine-hectare property in Davao City.

### ***Corporate Business***

Revenues from Corporate Business amounted to Php 993 million in 2007, lower than last year by 25% as 2006 included the revenues from the sale of the PeopleSupport building to the Goldman-Capmark-ALI consortium. Excluding the revenues from this sale, revenues in 2007 would have grown 14% due to the sale of an additional 9 hectares at Laguna Technopark's expansion phase (at a premium to competition), higher office occupancy rates, rent increases and higher fee income from managed buildings.

Accordingly, NOI settled at Php 487 million, a decline of 8% compared to Php 528 million in 2006. However, NOI margin improved by nine percentage points to 49% following price increases of lot sales, higher rents and lower utilities costs.

Significant progress was made towards the objective of increasing the Company's BPO portfolio to approximately 500,000 GLA by 2010, with six projects commencing construction in 2007. As of end-December, the first two buildings of the UP North Science and Technology Park were in turnover condition for fit-out purposes with completion slated for the first quarter of 2008. The remaining four buildings are for completion by the third quarter. The first three buildings have already been fully leased out. For the Dela Rosa E-Services building, construction accomplishment was at 50% by year-end, with a target completion of fourth quarter of 2008. More than half of the GLA had been pre-leased. Construction of the Nuvali Technopod Building 1 in Nuvali commenced in September, with completion slated within the third quarter of 2008.

Other BPO buildings targeted for completion in 2008 are the San Lazaro Building 1 (October 2008) and Glorietta 5 (December 2008). The Company also commenced construction of a new 30,300-square meter BPO building within Bonifacio Global City in December 2007.

### ***Strategic Landbank Management***

Revenues of Strategic Landbank Management stood at Php 373 million in 2007, 47% lower than the Php 707 million in 2006. This was due to the decline in sales of override units in Sta. Catalina and Avida Towers Sucat. The drop was partly offset by overrides from booked sales of 79 lots in Nuvali. NOI declined by 87% and ended at Php 43 million from Php 325 million last year. NOI margin declined to 12% from 46% previously as the override units at the higher-margin The Columns at Ayala Avenue were fully sold and completed in 2006.

Equity in net earnings from ALI's 20% effective stake in Fort Bonifacio Development Corporation (FBDC) amounted to Php 439 million, from Php 109 million in 2006. This was due to the sale of 18 lots at Bonifacio Global City (BGC) in 2007 against 6 lots the previous year. Selling prices in 2007 ranged from Php 52,250 to Php 210,975 per square meter compared to only Php 47,025 to Php 143,560 last year.

The Company continues to make significant progress in driving the growth in land values of its three strategic landholdings. The components of the Ayala Center redevelopment plans are in place and on schedule. The lot for the hotel complex project was cleared and turned over to Kingdom Hotel in December. The project will begin construction in 2008 and is estimated to be completed within three years. The retail and parking building between Shangri-la and Landmark, called The Link, was completed with retail spaces opened in October. Meanwhile, construction of Glorietta 5, consisting of three levels of retail, five levels of BPO and two levels of basement parking, commenced in April

2007 and will be completed by December 2008.

Development activities in Bonifacio Global City were in high gear and all of the key components of a Central Business District will be in place in the next few years. Planning is ongoing for a traditional headquarter office building that will house the Philippine Stock Exchange with a target completion date of 2012. FBDC also broke ground in November 2007 for a 29-storey BGC E-Services Building for completion in 2010. A major agreement was signed with the Shangri-La Hotels Group for their planned 6-star de luxe hotel and residential project. This brings a total of four hotel projects for BGC, inclusive of the 5-star Grand Hyatt hotel and other two business hotels.

The development plans for the various components of Phase 1 of Nuvali have been completed and construction is in full swing to gear up for the grand launch in June 2008. The BPO and residential lot parcels, specifically for Abrio, Treveia and Avida Settings, have been turned over to the Residential and Corporate Business Groups for development. Construction of two lanes of the North-South Road, extending from the Sta Rosa-Tagaytay road all the way to Montecito, has been completed.

### *Visayas-Mindanao*

The revenue contribution of Visayas-Mindanao amounted to Php 176 million, a 5% improvement from Php 168 million last year. A total of 21 units were booked in Ayala Northpoint (Phase 2), with a completion rate of 98%. Additional eight lots were sold in Phase 3, with a completion rate of 18%. Plantazionne registered the sale of six lots (Phases 1 and 2) in 2007, while the newly-launched Phase 3 registered 86 lot sales at a 49% completion. In addition, Alegria sold 14 lots at 25% completion.

Affiliate CHI, 47%-owned by ALL, posted a 27% growth in revenues to Php 1.1 billion, with net income up by 22% to Php 252 million in 2007. Meanwhile, 8 lot sales in Cebu Property Ventures & Development Corporation's (CPVDC) Asiatown IT Park led to a revenue growth of 49% to Php 336 million and net income growth of 108% to Php 173 million. As a result, equity in net earnings from CHI and CPVDC amounted to Php 138 million, 41% more than the Php 98 million registered last year.

Serving as the unit that brings the Company's businesses to the Southern part of the country, Visayas-Mindanao unit will continue to secure its future growth in 2008. The construction of the Lagoon Development at the Ayala Center Cebu is underway and slated for completion by year-end. The eBloc, a project of Cebu Property Ventures Development Corporation (CPVDC) and the Company, began construction in the third quarter and will be the biggest facilities provider, consisting of 20,000 sqms. of gross leaseable space upon completion in November 2008.

### *Support Business*

The Hotels, Construction and Property Management businesses generated revenues, net of inter-company eliminations, of Php 4.2 billion or a 21% growth y-o-y. Of this amount, the Hotels generated Php 1.4 billion, showing an improvement of 24% from previous year. The increase was largely due to the higher occupancy rate of Hotel InterContinental Manila at 82% last year compared to only 61% in 2006. The refurbishment work done in 2006 also led to a higher revenue per average room (REVPAR) of Php 3,987 vs. Php 2,547 the previous year. On the other hand, Cebu City Marriott Hotel's occupancy rate declined to 75% from 82% but was still higher than the Cebu average of 61%. REVPAR was also above industry at Php 2,402 versus Php 2,532 in 2006. Combined, the Hotels

contributed Php 444 million to ALI's NOI.

Makati Development Corporation (MDC), ALI's wholly-owned construction arm, reported revenues of Php 1.8 billion (net of inter-company eliminations), representing a 24% growth over the previous year's revenues. As of end-2007, MDC had an outstanding orderbook worth Php 18.8 billion from 38 projects. About 41% of the outstanding contracts were for third parties. The construction business contributed Php 395 million to ALI's NOI.

Ayala Property Management Corporation (APMC), a 100%-owned subsidiary, reported revenues of Php 698 million (net of inter-company eliminations) for 2007, 16% more than the previous year's level. The additional revenues came from the operation of new carparks in Bonifacio Global City, the full operation of Carparks in Paseo de Magallanes and Madrigal Business Park, and the increase in occupancy of commercial spaces in CBD carparks. APMC's NOI amounted to Php 263 million, a 15% growth y-o-y.

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

In 2007, Interest, Fees, Investment and Other Income rose by 25% to Php 2.1 billion from Php 1.7 billion the previous year. This was mainly due to the gain on sale of preferred shares in KAMI to Kingdom Manila BV. Additionally, Php 599 million in net income after tax was recognized from the sale of MPVI shares, our investment vehicle for the Oakwood Serviced Apartments in Ayala Center.

Equity in Net Earnings from Investees more than doubled to Php 787 million from Php 306 million, largely due to the substantially higher contribution from ALI's corporate investment vehicles in BGC, as well as higher earnings of CHI and ACC.

The contribution of FBDC reached Php 439 million from Php 109 million last year. Sales accelerated at Bonifacio Global City with a total of 18 lot sales in 2007 from only 6 lots in 2006. Selling prices were also higher at Php 52,250 to Php 210,975 in 2007 from Php 47,025 to Php 143,560 last year.

Meanwhile, Equity Earnings from CHI/CPVDC were 41% higher at Php 138 million from Php 98 million. The growth was due to robust sale of commercial lots at CPVDC's Asiatown IT Park as well as increased retail revenues at the Ayala Center Cebu as the public warmly received the opening of its new Expansion Building during the first half of the year.

Alabang Commercial Center (ACC), through Alabang Town Center, contributed Php 110 million, 33% more than the previous year because of a higher occupancy rate, while TriNoma, which opened in May, contributed Php 13 million on its first year of operation.

### **Expenses**

Total Expenses were flat for 2007 at Php 21.2 billion, compared with Php 21.5 billion in 2006. Direct Costs and Operating Expenses for the real estate and hotels business dropped by 6% to Php 15.1 billion as various cost management initiatives started in previous years began to bear fruit. Meanwhile, General and Administrative Expenses increased by 4% to Php 2.7 billion following a continuing organizational build-up to address the aggressive expansion plans for the future.

Interest and other charges of Php 1.8 billion grew by 64% despite a drop in average debt levels and

borrowing costs as a result mainly of the additional costs arising from the Glorietta 2 explosion and expenses related to sale of KAMI shares. Provision for income tax of Php 1.6 billion was flat as the Company's effective tax rate in 2007 was significantly lower following higher income subjected to capital gains tax.

### **Project and Capital Expenditures**

ALI spent Php 15.2 billion for project and capital expenditures in 2007, 11% more than the Php 13.7 billion spent in the previous year. Residential Development projects accounted for almost half of the capex at Php 7.3 billion. This was followed by Shopping Centers which used 25% or Php 3.9 billion, while around 12% or Php 1.8 billion was used for Corporate Business projects.

For 2008, ALI has earmarked an unprecedented Php 24.3 billion for capital and project expenditures, underscoring the continued high levels of activity across all business lines. Bulk of the budget will go to Residential Development and Corporate Business with a 42% and 30% share, respectively. Shopping Centers will get 14% while Strategic Landbank is expected to have a 10% allocation.

### **Financial Condition**

The company's balance sheet continues to be healthy with a Current Ratio of 1.65: 1. As of end-2007, Cash and Equivalents stood at Php 13.6 billion, 43% higher than the end-2006 level of Php 9.5 billion with the collection of full payments from completed Serendra units and deposits from Preferred Shares subscriptions. Total Borrowings were at Php 10.1 billion, from Php 12.8 billion as of December last year, translating to a Debt-to-Equity Ratio of 0.22: 1.

For your information.

Very truly yours,



**JAIME E. YSMAEL**

Senior Vice President, Chief Finance Officer,  
and Compliance Officer



**AYALA LAND, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands)

	December 31	
	2007	2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P11,271,906	P4,630,591
Short-term investments	2,035,606	2,927,928
Fair value through profit and loss financial assets	318,018	1,951,090
Accounts and notes receivable - net	11,563,880	10,644,524
Real estate inventories	6,696,007	7,735,587
Other current assets	2,094,036	1,411,034
Total Current Assets	33,979,453	29,300,754
Noncurrent assets held for sale	-	2,084,317
	33,979,453	31,385,071
<b>Noncurrent Assets</b>		
Noncurrent accounts and notes receivable	3,475,306	2,126,672
Land and improvements	16,399,388	16,874,794
Investments in associates and jointly controlled entities	9,038,676	8,791,217
Available-for-sale financial assets	366,788	367,313
Investment properties - net	13,792,850	13,032,762
Property and equipment - net	4,015,226	3,725,035
Deferred tax assets - net	670,886	782,878
Other noncurrent assets	1,242,672	1,164,419
Total Noncurrent Assets	49,001,792	46,865,090
	P82,981,245	P78,250,161
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables	P15,758,816	P12,126,683
Short-term debt	1,613,000	1,556,000
Income tax payable	167,124	147,521
Current portion of long-term debt	2,376,600	3,563,593
Other current liabilities	623,294	442,620
Total Current Liabilities	20,538,834	17,836,417
Liabilities directly associated with noncurrent assets held for sale	-	469,100
	20,538,834	18,305,517
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion	6,149,874	7,717,818
Pension liabilities	175,837	91,928
Deferred tax liabilities - net	114,443	415,506
Deposits and other noncurrent liabilities	4,375,807	3,782,281
Deferred credits	880,679	699,398
Total Noncurrent Liabilities	11,696,640	12,706,931
Total Liabilities	32,235,474	31,012,448

(Forward)

	December 31	
	2007	2006
<b>Equity</b>		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	P18,202,647	P14,580,590
Stock options outstanding	95,901	107,973
Unrealized gain (loss) on available-for-sale financial assets	1,943	(10,323)
Retained earnings	27,405,247	25,973,445
Treasury stock	(557)	(557)
	<b>45,705,181</b>	40,651,128
Minority interests		
Minority interest - net of interest attributable to noncurrent assets held for sale	5,040,590	5,455,933
Minority interest attributable to noncurrent assets held for sale	-	1,130,652
	<b>5,040,590</b>	6,586,585
	<b>50,745,771</b>	47,237,713
	<b>P82,981,245</b>	P78,250,161

**AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2007	2006	2005
<b>REVENUE</b>			
Real estate	P21,490,348	P22,501,221	P16,126,880
Hotel operations	1,356,906	1,091,102	1,065,016
Equity in net earnings of investees	787,209	306,233	227,267
Interest income	586,433	648,862	1,111,495
Other income	1,486,333	1,011,424	2,844,711
	<b>25,707,229</b>	<b>25,558,842</b>	<b>21,375,369</b>
<b>COSTS AND EXPENSES</b>			
Real estate	14,229,832	15,448,634	10,622,305
Hotel operations	913,030	721,524	709,652
General and administrative expenses	2,715,140	2,606,054	2,317,235
Interest expense and other financing charges	892,771	813,228	918,559
Other charges	903,320	280,570	2,394,034
	<b>19,654,093</b>	<b>19,870,010</b>	<b>16,961,785</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>6,053,136</b>	<b>5,688,832</b>	<b>4,413,584</b>
<b>PROVISION FOR INCOME TAX</b>			
Current	1,745,326	1,483,473	1,068,904
Deferred	(189,072)	126,765	(510,072)
	<b>1,556,254</b>	<b>1,610,238</b>	<b>558,832</b>
<b>INCOME BEFORE INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE</b>	<b>4,496,882</b>	<b>4,078,594</b>	<b>3,854,752</b>
<b>INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE - net of tax</b>	<b>598,666</b>	<b>155,258</b>	<b>130,679</b>
<b>NET INCOME</b>	<b>P5,095,548</b>	<b>P4,233,852</b>	<b>P3,985,431</b>
Net Income Attributable to:			
Equity holders of Ayala Land, Inc.	P4,386,362	P3,865,602	P3,616,673
Minority interests	709,186	368,250	368,758
	<b>P5,095,548</b>	<b>P4,233,852</b>	<b>P3,985,431</b>
<b>Earnings per Share</b>			
Basic			
Net income attributable to equity holders of Ayala Land, Inc.	<b>P0.34</b>	<b>P0.30</b>	<b>P0.28</b>
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.	<b>P0.31</b>	<b>P0.29</b>	<b>P0.28</b>
Diluted			
Net income attributable to equity holders of Ayala Land, Inc.	<b>P0.33</b>	<b>P0.30</b>	<b>P0.28</b>
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.	<b>P0.31</b>	<b>P0.29</b>	<b>P0.28</b>

**AYALA LAND, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Amounts in Thousands, Except Par Value and Cash Dividends Per Share)

	Years Ended December 31		
	2007	2006	2005
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.</b>			
<b>Common Shares - P1 par value</b>			
Issued			
Balance at beginning of year	P10,809,675	P10,794,539	P10,774,189
Issuance of shares	2,776	1,071	65
Stock options exercised	17,972	14,065	20,285
Stock dividends	2,172,398	-	-
Balance at end of year	13,002,821	10,809,675	10,794,539
Subscribed			
Balance at beginning of year	34,587	1,116	1,181
Additions	-	34,542	-
Issuance of shares	(2,776)	(1,071)	(65)
Balance at end of year	31,811	34,587	1,116
<b>Preferred Shares - P0.10 par value</b>			
Balance at beginning of year	-	-	-
Issued during the year	1,303,460	-	-
Balance at end of year	1,303,460	-	-
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of year	3,863,431	3,593,157	3,549,922
Additions	131,514	270,274	43,235
Balance at end of year	3,994,945	3,863,431	3,593,157
<b>SUBSCRIPTIONS RECEIVABLE</b>			
Balance at beginning of year	(127,103)	(3,721)	(4,519)
Additions	(60,413)	(158,897)	-
Collections	57,126	35,515	798
Balance at end of year	(130,390)	(127,103)	(3,721)
<b>TOTAL PAID-UP CAPITAL</b>	<b>18,202,647</b>	<b>14,580,590</b>	<b>14,385,091</b>
<b>STOCK OPTIONS</b>			
Balance at beginning of year	107,973	119,953	115,087
Cost of stock options	19,468	35,395	68,386
Stock options exercised	(31,540)	(47,375)	(63,520)
Balance at end of year	95,901	107,973	119,953
<b>TREASURY STOCK</b>	<b>(557)</b>	<b>(557)</b>	<b>(557)</b>

(Forward)

	<b>Years Ended December 31</b>		
	2007	2006	2005
<b>RETAINED EARNINGS</b>			
Appropriated for future expansion	<b>₱6,000,000</b>	₱6,000,000	₱6,000,000
Unappropriated:			
Balance at beginning of year	19,973,445	17,950,660	17,570,508
Cash dividends - ₱0.30 per share in 2007, ₱0.17 per share in 2006, and ₱0.30 per share in 2005	(782,162)	(1,842,817)	(3,236,521)
Stock dividends	(2,172,398)	-	-
Net income	4,386,362	3,865,602	3,616,673
Balance at end of year	<b>21,405,247</b>	19,973,445	17,950,660
	<b>27,405,247</b>	25,973,445	23,950,660
<b>UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>			
Balance at beginning of year	(10,323)	(7,508)	(89,267)
Net unrealized gain (loss) recognized in equity	12,266	(2,815)	81,759
Balance at end of year	1,943	(10,323)	(7,508)
<b>MINORITY INTERESTS</b>			
Balance at beginning of year	6,586,585	6,891,539	6,618,317
Net income	709,186	368,250	368,758
Increase (decrease) in minority interests	(1,887,483)	(440,130)	78,684
Dividends paid to minority interests	(367,923)	(225,977)	(174,220)
Net unrealized gain (loss) recognized in equity	225	(7,097)	-
Balance at end of year	<b>5,040,590</b>	6,586,585	6,891,539
	<b>₱50,745,771</b>	₱47,237,713	₱45,339,178
<b>Total income and expense recognized for the year</b>			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	<b>₱4,386,362</b>	₱3,865,602	₱3,616,673
Minority interests	709,186	368,250	368,758
	<b>5,095,548</b>	4,233,852	3,985,431
Net unrealized gain (loss) recognized in equity:			
Equity holders of Ayala Land, Inc.	12,041	4,282	81,759
Minority interests	225	(7,097)	-
	<b>12,266</b>	(2,815)	81,759
	<b>₱5,107,814</b>	₱4,231,037	₱4,067,190

## AYALA LAND, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2007	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P6,053,136	P5,688,832	P4,413,584
Adjustments for:			
Depreciation and amortization	1,310,457	1,067,280	917,875
Interest expense - net of amount capitalized	870,513	795,089	780,547
Impairment losses and others	302,996	230,947	2,174,130
Dividends received from investees	84,376	72,779	94,275
Cost of share-based payments	104,704	148,004	68,386
Equity in net earnings of investees	(787,209)	(306,233)	(227,267)
Gain on sale of investments	(1,003,976)	(608,865)	(3,047,578)
Interest income	(337,818)	(443,777)	(625,912)
Other income	(129,680)	(43,841)	-
Operating income before changes in working capital	6,467,499	6,600,215	4,548,040
Decrease (increase) in:			
Accounts and notes receivable – trade	(1,791,872)	566,430	(4,475,228)
Real estate inventories	2,207,429	(779,221)	(637,662)
Other current assets	(541,693)	(80,282)	(298,341)
Increase (decrease) in:			
Accounts and other payables	3,821,915	1,214,997	5,731,232
Pension liabilities	83,909	(17,117)	(364,765)
Other current liabilities	180,677	260,475	(11,855)
Cash generated from operations	10,427,863	7,765,497	4,491,421
Interest received	346,712	431,603	610,191
Income tax paid	(1,725,723)	(1,461,760)	(1,124,417)
Interest paid	(817,536)	(947,258)	(1,057,733)
Net cash provided by operating activities before cash items associated with noncurrent assets held for sale	8,231,316	5,788,082	2,919,462
Net cash provided by operating activities associated with noncurrent assets held for sale	598,666	291,672	241,186
Total cash provided by operating activities	8,829,982	6,079,754	3,160,648
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Sale of investments	1,005,480	460,000	3,752,298
Sale of available-for-sale financial assets	12,791	4,980	16,712
Disposal of property and equipment	-	263,236	-
Disposals of (Additions to):			
Short term investments	2,596,048	(3,711,834)	(595,393)
Available-for-sale financial assets	-	(26,840)	-
Land and improvements	(548,392)	237,606	(5,295)
Investments in associates and jointly controlled entities	175,944	(1,528,059)	-
Investment properties	(699,180)	(343,689)	(339,007)
Property and equipment	(2,018,156)	(1,696,764)	(1,150,827)

(Forward)

	<b>Years Ended December 31</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Decrease (increase) in:			
Accounts and notes receivable - non-trade	<b>(P612,843)</b>	(P808,944)	P966,284
Other noncurrent assets	<b>58,828</b>	113,220	(633,629)
Net cash provided by (used in) investing activities before cash items associated with noncurrent assets held for sale	<b>(29,480)</b>	(7,037,088)	2,011,143
Net cash provided by (used in) investing activities associated with noncurrent assets held for sale, including cash balance	-	(361,691)	2,071
<b>Total cash provided by (used in) investing activities</b>	<b>(29,480)</b>	<b>(7,398,779)</b>	<b>2,013,214</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short and long-term debt	<b>956,961</b>	3,584,424	870,000
Payment of short and long-term debt	<b>(3,654,899)</b>	(1,017,342)	(3,302,844)
Increase (decrease) in:			
Deposits and other noncurrent liabilities	<b>774,807</b>	614,393	740,350
Minority interest in consolidated subsidiaries	<b>(484,565)</b>	(645,617)	-
Proceeds from issuance of preferred shares	<b>1,303,460</b>	-	-
Proceeds from capital stock subscriptions	<b>29,422</b>	35,515	798
Dividends paid to minority	<b>(367,923)</b>	(225,977)	(174,220)
Dividends paid to equity holders of Ayala Land, Inc.	<b>(716,450)</b>	(1,841,355)	(3,235,916)
Net cash provided by (used in) financing activities before cash items associated with noncurrent assets held for sale	<b>(2,159,187)</b>	504,041	(5,101,832)
Net cash used in financing activities associated with noncurrent assets held for sale	-	(187,120)	(271,572)
<b>Total cash provided by (used in) financing activities</b>	<b>(2,159,187)</b>	<b>316,921</b>	<b>(5,373,404)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,641,315</b>	<b>(1,002,104)</b>	<b>(727,498)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,630,591</b>	<b>5,632,695</b>	<b>6,360,187</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P11,271,906</b>	<b>P4,630,591</b>	<b>P5,632,695</b>