

SEC Number: 152-747

File Number: _____

AYALA LAND, INC.

(Company's Full Name)

c/o 30/F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 848-5313

(Telephone Number)

June 30, 2008

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

(Amendments)

**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, 2008**
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 30/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, 2008

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	13,034,603,881

Amount of Debt Outstanding
P10.4 billion

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

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

Yes No

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements



AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2008 and December 31, 2007
(Amounts in Thousands)

	June 30, 2008	December 31, 2007
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	12,433,207	11,271,906
Short-term investments	2,263,146	2,035,606
Accounts and notes receivable - net	12,739,493	11,563,880
Real estate inventories	7,857,793	6,696,007
Other current assets	3,285,959	2,412,054
Total Current Assets	38,579,598	33,979,453
Noncurrent Assets		
Noncurrent accounts and notes receivable	2,435,332	3,475,306
Land and improvements	17,117,512	16,399,388
Investments in associates and jointly controlled entities	10,060,925	9,038,676
Available-for-sale financial assets	376,404	366,788
Investment properties -net	13,934,706	13,792,850
Property and equipment - net	4,812,507	4,015,226
Deferred tax assets	965,486	670,886
Other noncurrent assets	1,579,857	1,242,672
Total Noncurrent Assets	51,282,729	49,001,792
Total Assets	89,862,327	82,981,245
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	18,509,703	15,758,816
Short-term debt	1,838,500	1,613,000
Income tax payable	125,397	167,124
Current portion of long-term debt	3,109,095	2,376,600
Other current liabilities	613,681	623,294
Total Current Liabilities	24,196,376	20,538,834
Noncurrent Liabilities		
Long-term debt - net of current portion	5,440,806	6,149,874
Pension liabilities	172,182	175,837
Deferred tax liabilities	297,501	114,443
Deposit and other noncurrent liabilities	4,694,230	4,375,807
Deferred credits	1,608,209	880,679
Total Noncurrent Liabilities	12,212,928	11,696,640
Total Liabilities	36,409,304	32,235,474
Equity		
Equity attributable to equity holders of Ayala Land Inc.		
Paid up capital	18,228,360	18,202,647
Retained earnings	29,923,090	27,405,247
Stock options outstanding	106,430	95,901
Unrealized gain(loss) on available-for-sale financial assets	7,229	1,943
Treasury stock	(622)	(557)
Total Equity	48,264,487	45,705,181
Minority interests	5,188,536	5,040,590
Total Liabilities and Equity	89,862,327	82,981,245



AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Six Months Ended June 30, 2008 and June 30, 2007
(Amounts in Thousands, Except Earnings per Share)

	2008 Unaudited		2007 Unaudited	
	April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
REVENUE				
Real estate	6,300,170	13,029,945	5,328,951	10,240,705
Hotel operations	332,490	683,498	314,977	681,913
Equity in net earnings of investees, interest, fees, investment and other income	522,267	1,671,104	202,374	708,008
	7,154,927	15,384,547	5,846,302	11,630,626
COSTS AND EXPENSES				
Real estate	4,314,087	8,989,788	3,530,030	6,800,524
Hotel operations	218,082	438,203	218,231	440,110
General and administrative expenses	723,935	1,311,555	654,193	1,180,271
Interest expense and other financing charges	197,159	483,028	196,946	475,155
Other charges	26,013	31,762	25,545	26,053
	5,479,276	11,254,336	4,624,945	8,922,113
INCOME BEFORE INCOME TAX	1,675,651	4,130,211	1,221,357	2,708,513
PROVISION FOR(BENEFIT FROM) INCOME TAX				
Current	597,860	1,170,473	307,544	707,359
Deferred	(114,670)	(172,958)	(4,826)	(6,101)
	483,190	997,515	302,718	701,258
INCOME BEFORE INCOME ASSOCIATED WITH NON CURRENT ASSETS HELD FOR SALE	1,192,461	3,132,696	918,639	2,007,255
INCOME ASSOCIATED WITH NON CURRENT ASSETS HELD FOR SALE	0	0	0	598,666
NET INCOME	1,192,461	3,132,696	918,639	2,605,921
Net Income Attributable to :				
Equity holders of Ayala Land Inc.	1,078,873	2,908,816	837,924	2,125,951
Minority interest	113,588	223,880	80,715	479,970
	1,192,461	3,132,696	918,639	2,605,921
Earnings Per Share				
Basic				
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land Inc.				
Net income attributable to equity holders of Ayala Land Inc.	0.08	0.22	0.06	0.16
Diluted				
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land Inc.				
Net income attributable to equity holders of Ayala Land Inc.	0.08	0.22	0.06	0.16

* Based on 13,034,632,108 and 13,028,406,544 weighted average number of shares as of 1H2008 and 1H2007, respectively

** Based on 13,058,259,728 and 13,061,156,209 weighted average number of shares as of 1H2008 and 1H2007, respectively



AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2008 and June 30, 2007

(Amounts in Millions)

	January to June 2008 (Unaudited)	January to June 2007 (Unaudited)
CAPITAL STOCK - (Common shares -P1.00 par value)		
Issued		
Balance at beginning of year	13,003	10,810
Issuance of shares	0	1
Stock options exercised	0	19
Stock dividends	0	2,172
	13,003	13,002
Subscribed		
Balance at beginning of year	32	34
Issuance of shares	0	(1)
Stock options exercised	0	0
Stock dividends		
Balance at end of the year	32	33
CAPITAL STOCK -(Preferred Shares- P.10 par value)		
Issued		
Issuance of shares	1,303	
Balance at end of the year	1,303	0
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	3,995	3,863
Stock options exercised	6	17
IFRS 2- Adjustment on Share-based payment	12	0
Balance at end of year	4,013	3,880
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(130)	(127)
Subscriptions	0	(17)
Collections	7	22
Balance at end of year	(123)	(122)
TOTAL PAID-UP CAPITAL	18,228	16,793
STOCK OPTIONS		
Balance at beginning of year	96	108
Cost of stock options	11	7
Stock options exercised	0	(26)
Balance at end of year	106	90
TREASURY STOCK	(1)	(1)
RETAINED EARNINGS		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year	21,405	19,973
Stock dividends	0	(2,172)
Cash dividends	(391)	(391)
Net income	2,909	2,126
Balance at end of year	23,923	19,536
	29,923	25,536
UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	(11)	(64)
	48,246	42,354
MINORITY INTERESTS		
Balance at beginning of year	5,041	6,587
Net income(loss)	224	480
Decrease in minority interests	(76)	(688)
Dividends paid to minority interests	0	(985)
	5,189	5,394
	53,434	47,748
Total income and expense recognized for the year		
Net income (loss) attributable to:		
Equity holders of Ayala Land, Inc.	2,909	2,126
Minority Interests	224	480
	3,133	2,606



AYALA LAND INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the Six Months Ended June 30, 2008 and June 30, 2007
(Amounts in Thousands)

	January to June 2008 (Unaudited)	January to June 2007 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income tax	4,130,211	2,708,513
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	584,828	553,307
Interest Expense - net of amount capitalized	512,587	476,118
Unrealized gain on Financial Assets	5,288	179
Provision for doubtful accounts	0	24,355
Gain on Sale of investment	(761,627)	(666,977)
Interest Income	(279,150)	(197,387)
Equity in Net Earnings of investees	(556,446)	(373,570)
Operating income before changes in working capital	3,635,691	2,524,538
Decrease (increase) in :		
Accounts and notes receivable - trade	590,297	(1,089,546)
Real Estate Inventories	(1,161,786)	571,999
Other Current Assets	(873,906)	(588,035)
Increase(Decrease) in :		
Accounts payable and accrued expenses	2,833,291	27,271
Pension Liabilities	(3,655)	2,635
Other Current Liabilities	(9,613)	561,848
Cash generated from operations	5,010,319	2,010,710
Interest received	301,923	214,194
Interest paid - net of amount capitalized	(527,043)	(531,118)
Income tax paid	(1,107,191)	(887,555)
Net cash provided by (used in) operating activities before cash items associated with noncurrent assets held for sale	3,678,008	806,231
Net cash provided by operating activities associated with non current assets held for sale	0	598,666
	3,678,008	1,404,897
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	902,000	1,637,302
Disposal of (additions to) :		
Short Term Investments	(227,540)	0
Land and Improvements	(718,123)	(7,815)
Investment	(1,100,904)	615,287
Property & equipment	(1,038,853)	(549,780)
Decrease(increase) in :		
Non- current accounts and notes receivable - non trade	(748,708)	(60,297)
Other assets	(631,785)	(146,330)
Net cash used provided by (used in) in investing activities	(3,563,913)	1,488,367
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from(payment of) short loans payable	1,222,995	848,988
Proceeds from(payment of) long term payable	(974,068)	(3,728,032)
Increase(decrease) in :		
Non- current liabilities and deposits	1,229,010	684,063
Minority Interest	(75,934)	(687,038)
Proceeds from capital subscriptions	36,176	21,493
Purchase of treasury shares	65	0
Dividends paid to minority	0	(985,652)
Dividends paid to equity holders of Ayala Land Inc.	(391,038)	(391,038)
Net cash provided by(used in) financing activities	1,047,206	(4,237,216)
NET INCREASE(DECREASE)IN CASH AND CASH EQUIVALENT	1,161,301	(1,343,952)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	11,271,906	9,509,609
CASH AND CASH EQUIVALENT AT END OF PERIOD	12,433,207	8,165,657

Ayala Land, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2007 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2007.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements include the accounts of Ayala Land, Inc. (herein referred to as "the Company) and its subsidiaries collectively referred to as "Group."

The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), the Group's functional currency, and rounded to the nearest thousands except when otherwise indicated.

On August 7, 2008, the Audit Committee approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of Ayala Land, Inc. and subsidiaries.

2. Accounting Policies

Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2007, except for the adoption of new Standards and Interpretations enumerated below.

- Philippine Interpretation IFRIC 11, PFRS 2 – *Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments

(e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. Adoption of this Interpretation has no impact on the condensed consolidated financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities as well as for operating and maintaining the public sector infrastructure. Adoption of this Interpretation has no impact on the condensed consolidated financial statements.
- Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognized as an asset under PAS 19, *Employee Benefits*. Adoption of this Interpretation has no impact on the condensed consolidated financial statements.

3. Principles of Consolidation

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

	<u>Effective Ownership</u>
	<u>(%)</u>
<i>Real Estate:</i>	
Amorsedia Development Corporation and subsidiaries	100
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
Ayala Land International Sales, Inc.	100
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc.	100
Crimson Field Enterprises, Inc.	100
Avida Land Corp. and subsidiaries (Avida)	100
Regent Time International, Limited	100
Northbeacon Commercial Corporation	100
Red Creek Properties, Inc.	100
Laguna Technopark, Inc.	75
Aurora Properties, Inc. (API)	70
Vesta Property Holdings, Inc.	70
Station Square East Commercial Corporation (SSECC)	69
Serendra, Inc.	67
Ceci Realty, Inc.	60
CMPI Holdings, Inc.	60
ALI-CII Development Corporation	50

Roxas Land Corporation	50
<i>Construction:</i>	
Makati Development Corporation	100
<i>Hotels:</i>	
Ayala Hotels, Inc. and subsidiaries	50
<i>Property Management:</i>	
Ayala Property Management Corporation	100
Ayala Theatres Management, Inc. and subsidiaries	100
<i>Entertainment:</i>	
Five Star Cinema, Inc.	100
Leisure and Allied Industries Phils., Inc (LAI)	50
<i>Others:</i>	
ALInet.com, Inc.	100
Food Court Company, Inc.	100

4. Receivables / Payables

Aging of Receivables (as of June 30, 2008; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	4,690	3,066	1,923	521	10,200
Non-Trade Receivables	4,026	436	513	0	4,975
Total	8,716	3,502	2,436	521	15,175

Aging of Payables (as of June 30, 2008; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	3,819	4,346	1,420	21	9,606
Non-Trade Payables	7,374	3,689	5,352	0	16,415
Total	11,193	8,035	6,772	21	26,021

5. Short-Term and Long-Term Debt

Short-Term Debt (as of June 30, 2008; in Million Pesos)

<u>Borrower</u>	<u>Amount</u>
AGDC	128
API	44
Avida	607
LAI	300
SSECC	759
Total	1,838

Long-Term Debt (as of June 30, 2008; in Million Pesos / US\$)

<u>Borrower</u>	<u>Current</u>		<u>Non-Current</u>		<u>Total</u>	
	<u>Peso</u>	<u>US\$</u>	<u>Peso</u>	<u>US\$</u>	<u>Peso</u>	<u>US\$</u>
ALI *	2,092		3,580		5,672	
Avida	-		500		500	
CIHC	-		150		150	
EHI	15		285		300	
LAI	30		170		200	
SSECC	972		421		1,393	
NBCC	-		335		335	
Total	3,109	-	5,441	-	8,550	-

* Including FXCNs

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans – January – June 2008 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	21	issuance of Homestarter Bonds
AGDC	519	renewal of short-term loans
API	132	renewal of short-term loan
Avida	3,292	renewal of short-term loans and new short-term loans
EHI	300	refinancing of long-term loan
LAI	300	renewal of short-term loans and new short-term loan
SSECC	2,228	renewal of short-term loans and new short-term loans
NBCC	180	new availments of long-term loan
Total	<u>6,972</u>	

Repayments of Debt and Equity Securities – January – June 2008 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	9	retirement of Homestarter Bonds
AGDC	584	payment of matured short-term loans
API	132	payment of matured short-term loan
Avida	3,152	payment of matured short-term loans
EHI	300	payment of refinanced long-term loan
LAI	290	payment of matured short-term loans
SSECC	<u>2,258</u>	payment of matured short-term loans and amortization on long-term loans
Total	<u>6,725</u>	

**6. Commercial Paper Issuances and Outstanding Balance
(for the quarter ended June 30, 2008)**

None.

7. Accounts and Other Payables

The accounts and other payables as of June 30, 2008 is broken down as follows:

	(million)
Accounts payable	P 10,136
Accrued expenses	6,521
Taxes payable	1,712
Dividends payable	68
Retentions payable	73
Total	<u>P 18,510</u>

8. Segment information

YTD-June 2008	Strategic Landbank Mgt.	Residential Development	Shopping Centers	Corporate Business	Vismin / International	Support Businesses	Corporate	Total	Intersegment Adjustments	Consolidated
<i>(in million pesos)</i>										
Revenues										
Sales to external customers	337	7,025	2,111	428	60	3,752	-	13,713	-	13,713
Intersegment sales	-	172	184	-	-	3,361	-	3,717	(3,717)	-
Equity in net earnings of investees	361	-	48	-	142	-	5	556	-	556
Total revenue	698	7,197	2,343	428	202	7,113	5	17,986	(3,717)	14,269
Operating expenses	334	5,599	1,151	222	85	6,503	388	14,282	(3,543)	10,739
Operating profit	364	1,598	1,192	206	117	610	(383)	3,704	(174)	3,530
Interest income										1,066
Interest expense										(515)
Other income										49
Provision for income tax										(997)
Net income										3,133
Net income attributable to:										
Equity holders of Ayala Land, Inc.										2,909
Minority interests										224
										3,133
Other information										
Segment assets	10,497	56,512	32,250	10,462	4,026	11,475	(11,055)	114,167	(25,887)	88,280
Investment in associates and jointly controlled entities	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	111	16	10	-	-	49	1,396	1,582	-	1,582
Total assets	10,608	56,528	32,260	10,462	4,026	11,524	(9,659)	115,749	(25,887)	89,862
Segment liabilities	2,551	14,045	6,786	979	206	7,799	9,673	42,039	(6,538)	35,501
Deferred tax liabilities	-	306	-	-	-	-	602	908	-	908
Total liabilities	2,551	14,351	6,786	979	206	7,799	10,275	42,947	(6,538)	36,409
Segment additions to property and equipment and investment properties										
	-	17	266	4	2	132	28	449	-	449
Depreciation and amortization	-	37	340	49	1	104	54	585	-	585

YTD-June 2007	Strategic Landbank Mgt.	Residential Development	Shopping Centers	Corporate Business	Vismin	Support Businesses	Corporate	Total	Intersegment Adjustments	Consolidated
<i>(in million pesos)</i>										
Revenues										
Sales to external customers	139	6,271	2,111	395	40	1,967	0	10,923	0	10,923
Intersegment sales	0	78	191	0	0	1,780	0	2,049	(2,049)	0
Equity in net earnings of investees	242	0	41	0	91	0	0	374	0	374
Total revenue	381	6,349	2,343	395	131	3,747	0	13,346	(2,049)	11,297
Operating expenses	99	5,242	1,098	237	55	3,346	383	10,460	(2,039)	8,421
Operating profit	282	1,107	1,245	158	76	401	(383)	2,886	(10)	2,876
Interest income										(501)
Interest expense										891
Other income										110
Provision for income tax										(770)
Net income										2,606
Net income attributable to:										
Equity holders of Ayala Land, Inc.										2,126
Minority interests										480
										2,606
Other information										
Segment assets	10,011	50,528	20,117	9,254	1,573	7,208	(9,003)	89,688	(23,921)	65,767
Investment in associates and jointly controlled entities	4,317	0	2,094	1,427	1,815	0	0	9,653	0	9,653
Deferred tax assets	1	1	6	6	0	78	1,404	1,496	0	1,496
Total assets	14,329	50,529	22,217	10,687	3,388	7,286	(7,599)	100,837	(23,921)	76,916
Segment liabilities	1,497	12,491	5,139	1,616	103	3,937	9,668	34,451	(6,238)	28,213
Deferred tax liabilities	0	278	0	0	0	6	671	955	0	955
Total liabilities	1,497	12,769	5,139	1,616	103	3,943	10,339	35,406	(6,238)	29,168
Segment additions to property and equipment and investment properties										
	0	58	377	3	1	135	49	623	0	623
Depreciation and amortization	3	25	339	48	1	101	36	553	0	553

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

Results of Operations for the Six Months Ended June 30, 2008

Ayala Land, Inc. (“the Company”) ended the first half of 2008 with a net income of Php 2.91 billion, posting a significant 37% growth from the Php 2.13 billion recorded last year. This robust financial performance was driven by strong growth in operating revenues, improved equity earnings from affiliates, higher interest and other income, and effective cost control.

The Company recorded consolidated revenues of Php 15.38 billion in the first half of 2008, 32% more than the Php 11.63 billion recorded in the same period last year. Operating revenues increased by 26% to Php 13.71 billion buoyed largely by growth in the Residential and Construction businesses. Strategic Landbank Management, Corporate Business and Visayas-Mindanao operations also contributed to consolidated revenue growth.

Higher equity earnings from Ayala Land’s corporate investment vehicles in Bonifacio Global City, Cebu Holdings, Inc. (CHI) and Alabang Commercial Corporation (ACC), contributed to net income growth. In addition, the Company earned higher interest and other income with increased cash balances and the sale of shares in three subsidiaries (namely Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc.) in March that generated Php 762 million in pre-tax capital gains.

Consolidated net operating income (NOI) reached Php 4.29 billion in 1H08, growing by 16% from the same period last year. Margin improvements were achieved by the Residential, Corporate and Strategic Landbank businesses. However, overall NOI margin declined by three percentage points to 31% as shopping center and property management margins dropped due to the continued closure of high-margin Glorietta 2, the start-up operations at Greenbelt 5 and lower carpark volume with the ongoing Ayala Center redevelopment. Construction margins also dropped significantly due to highly competitive bids on large external contracts as well as the rising costs of construction materials. Meanwhile, overhead costs were kept at bay as general and administrative expenses increased by only 11% to Php 1.31 billion.

Business Segments

Residential Development accounted for the bulk of revenues at 45% of total or Php 7.0 billion. This was followed by the Support Businesses at 24%, or Php 3.8 billion, bannered by the strong growth of the Construction business. The leasing businesses namely Shopping Centers and Corporate Business contributed 14% or Php 2.1 billion and 3% or Php 428 million, respectively. Strategic Landbank Management accounted for 3% or Php 385 million, followed by Visayas-Mindanao with Php 60 million or less than 1%. The balance of 11% or Php 1.7 billion was from Interest and Other Income.

Residential Development

Residential Development revenues amounted to Php 7.0 billion in the first half of 2008, 12% higher than the Php 6.2 billion during the same period in 2007. Alveo Land (formerly Community Innovations) and Avida Land notably posted very strong topline growth rates of 40% and 36%, respectively.

Ayala Land Premier (ALP) projects generated Php 3.3 billion in revenues, down 8%, with the bulk or Php 2.1 billion coming from high-end condominium units. Despite higher percentage of completion at The Residences at Greenbelt (TRaG1 at 100%, TRaG 2 at 58% and TRaG3 at 22% as of end-June 2008), revenues from high-end condominium units declined 13% due to the full sellout of TRAG, with only seven units booked in 1H08 against 239 units last year. Worth noting however was the strong sales performance of One Serendra East Tower, which achieved 45% take up since launch in March. Revenue contribution was still minimal however given the low construction completion as of end-June. High-end lots contributed Php 862 million (+5% y-o-y) with total booked sales of 215 lots, mostly from new projects Abrio and Sonera, while leisure project Anvaya Cove generated Php 381 million (-5% y-o-y) from 65 booked units and shares.

Alveo's revenues increased by 40% y-o-y to Php 2.0 billion in 1H08. Booked units during the period grew by 47% to 558 units, with Treveia in NUVALI accounting for 136 lots. Senta, the newest residential condominium project in Legaspi Village, Makati, had strong take up of 44% (192 out of 438 units), and was able to book 83 units since its launch in April. Likewise, the launch of Red Oak (second tower of Two Serendra) in June registered a 21% take-up within barely one month of sale.

Avida's revenues grew by 36% to Php 1.7 billion in the first six months of 2008 on the back of a similar increase in bookings of 25% to 1,086 units from 867 units in 1H07. Projects launched over the past twelve months, namely Avida Settings NUVALI, Avida Settings Cavite, Avida Towers San Lazaro (new towers) and Avida Towers Makati West, accounted for the bulk of unit bookings.

NOI for Residential Development contributed 47% of total NOI and grew 30% y-o-y in 1H08 to Php 2.0 billion. NOI margin likewise improved to 29% from 25% owing to higher value of sales and controlled costs.

Overall demand for residential projects remained strong with the number of taken-up units during the first six months of the year reaching 3,229, 10% more than the same period last year. The value of these units was 8% higher at Php 11.9 billion versus the Php 11.0 billion during the same period last year. A total of 2,906 units were launched during the first half of the year, representing over half of the full-year target of 5,600 units (excluding residential projects in Visayas-Mindanao).

Shopping Centers

Revenues for the first half of the year of Shopping Centers were steady at Php 2.1 billion. Base rent for building leases were escalated within a range of 8-12% but was offset by the loss of Glorietta 2 and Park Square 2 revenues and some concessions offered to merchants directly affected by the ongoing construction/redevelopment of Ayala Center.

NOI for Shopping Centers posted a decline of 9% to Php 1.2 billion, while NOI margin was squeezed to 57% from 63%. The drop in margin was primarily due to the continued closure of high-margin Glorietta 2 and the lower than expected occupancy rate at Greenbelt 5 which encountered delays in fit-out for some merchants. Average occupancy for consolidated malls was lower despite an improvement in the occupancy rate of Market!Market! as Greenbelt 5 was only 64% occupied as of end-June (but leased 86%). This business line accounted for 28% of total NOI.

The expansion of the shopping center portfolio is well underway. The 17,000-square meter Greenbelt 5-Phase 2 and the 9,500 square meters of Glorietta 5 retail in Ayala Center are due to be completed in the fourth quarter of 2008. Construction of Q Mall in Angeles, Pampanga is

ongoing, with a target opening of May 2009. Meanwhile, planning of the retail-BPO development Davao City is also ongoing.

Corporate Business

Revenues from Corporate Business amounted to Php 428 million in 1H08, 8% higher than last year due to higher average rental rates, coupled with the sale of three hectares at Laguna Technopark's expansion phase in 1Q08. Average rent at headquarter-type office buildings increased by 15% while its occupancy level remained steady at 98%. For the BPO buildings, average rent of all operational tenants went up by 8%, while occupancy dropped to 65% from 100% as a result of the additional 48,000 square meters of GLA coming onstream from the first four buildings of UP TechnoHub. To date however, 93% of the first five buildings (58,000 square meters GLA) of UP TechnoHub has been turned over to clients for fit-out.

NOI likewise grew to Php 270 million, an increase of 34% compared to the same period last year of Php 201 million, buoyed by Laguna Technopark lot sales this year versus none last year. NOI margins improved by 12 percentage points to 63% from 51% previously with the increase in rental rates and lower direct operating expenses. Corporate Business' NOI accounted for 6% of total.

Other BPO projects slated for completion for the balance of the year are the following: UP Technohub Building 6, NUVALI Technopod Building 1, the BPO component of Glorietta 5, Dela Rosa E-Services, San Lazaro Building 1. The total GLA contribution of all these projects once operational will be 94,000 square meters.

Strategic Landbank Management

Revenues of Strategic Landbank Management reached Php 385 million during the first six months of 2008, an increase of 122% from the same period in 2007. The significant growth was due to overrides on the strong lot sales at NUVALI across all three residential brands. Meanwhile, higher construction completion on override units at The Columns at Ayala Avenue and Legazpi Village helped offset the drop in booked override units to 73 in 1H08 versus 294 in 1H07.

NOI likewise increased by 180% to Php 146 million from Php 52 million, with NOI margin improving to 38% from 30% last year. SLMG's NOI during the six-month period contributed 3% to total NOI.

Equity in net earnings from Ayala Land's 20% effective stake in Fort Bonifacio Development Corporation (FBDC) grew to Php 361 million, up 47% year-on-year, largely due to the significant increases in the prices of lots in the area. Eight lots at Bonifacio Global City (BGC), with a total area of 21,638, were sold in the first half of 2008 at an average price of Php 173,000 per square meter, compared with 37,000 square meters at an average of Php 94,000 during the same period last year.

The Company continued to drive the growth in land values of its three strategic landbank areas. In Makati, construction of the Raffles / Fairmont luxury hotel complex, in partnership with Kingdom Hotel Investments has commenced. Glorietta 5, which has both office and retail components, is also set for completion by the end of 2008.

In Bonifacio Global City, the 29-storey BGC E-Services Building is already under construction and will be completed by 2010. Planning of the headquarter office building that will house the

Philippine Stock Exchange (PSE) in the West Superblock area is well underway. Forthcoming developments include the headquarter office building of a major local company, the 6-star Shangri-La Hotel to be built beside the PSE building in the West Superblock area, as well as a Mind Museum.

Complementing the residential components launched late last year in NUVALI is NUVALI Technopod Building 1, the first building in a planned BPO campus, with a retail, dining and entertainment area situated around an 8 hectare lake. Technopod Building 1 and the retail areas are slated for completion in the fourth quarter of 2008 while the lake and Visitors' Center are in the final stages of construction.

Visayas-Mindanao

Visayas-Mindanao's revenues went up by 52% to Php 60 million in the first half from Php 40 million during the same period last year. This was due to the increase in value of booked units to Php 76 million from Php 74 million a year ago. Most of the bookings came from newer phases of Plantazionne Verdana Homes and Ayala Northpoint (both in Bacolod). NOI contribution, however, was a negative Php 8 million due to high fixed costs in Ayala Heights Phase 2 and the slow take-up of Alegria Hills in Cagayan de Oro.

Support Businesses

The Support Businesses, namely Construction, Property Management and Hotels, generated revenues (net of inter-company eliminations) of Php 3.8 billion during the first six months of the year, almost double the revenues of the previous year for the same period. Total NOI for the support businesses in aggregate also grew by 19%, with most of the increase coming from the Construction business.

Makati Development Corporation (MDC), ALI's wholly-owned construction arm, reported revenues of Php 2.6 billion (net of inter-company eliminations), representing a 227% growth over the first half of 2007 revenues on the back of significant progress in construction accomplishment on external projects. These major projects account for 41% of the outstanding contracts with third parties. The construction business contributed Php 231 Million or 5% of the Company's NOI.

Ayala Property Management Corporation (APMC), a 100%-owned subsidiary, reported a flat growth in revenues of Php 505 million (net of inter-company eliminations) in the first six months of 2008 over the previous year's level. The increase in CBD carpark revenues were offset by the lower carpark volume in Ayala Center. APMC's NOI amounted to Php 195 million or 5% of ALI's NOI.

The Hotels group, comprised of Hotel InterContinental Manila and Cebu City Marriott Hotel, generated Php 684 million in revenues in the first half, likewise showing a flat growth from the same period last year. While the Hotel InterContinental Manila was able to raise average room rates by 16% to Php 5,523, its occupancy went down to 78% from 82% in the same period last year. On the other hand, Cebu City Marriott Hotel suffered setbacks as its occupancy rate went down to 71% from 75% while average room rates dropped by 5% to Php 3,295 due to increased competition in the area. The two hotels contributed Php 245 million or 6% to ALI's NOI.

NOI margins of the Support Businesses however dropped to 18% from 29% largely because of the lower margins on MDC's external contracts, lower volumes at the high-margin Ayala Center carparks, and the average 4 percentage point drop in Hotel occupancy rates.

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

Equity in Net Earnings from Investees grew by 49% to Php 556 million from Php 374 million, largely due to higher contribution from ALI's corporate investment vehicles in BGC, as well as higher earnings of CHI and ACC.

As discussed earlier, the contribution of FBDC reached Php 361 million or 47% higher than the Php 246 million in the same period last year. Meanwhile, Equity Earnings from Cebu Holdings Inc. and Cebu Property Ventures Development Corp. were 65% higher at Php 142 million from Php 86 million last year. At Ayala Center Cebu, the average building rent was 6% higher y-o-y, while occupancy rate also improved to 97% from 94%. Three lot sales, one in Cebu Business Park and two in Asiatown IT Park, further augmented equity earnings.

For the shopping center business, Alabang Commercial Corporation (corporate vehicle for Alabang Town Center) contributed Php 59 million, 12% more than the previous year because of higher rental rates. TriNoma, which opened in May 2007, reached profitability this year, with a positive equity earnings contribution of Php 1 million in 1H08 against a negative Php 13 million in 1H07.

Interest, fees, investment and other income amounted to Php 1.7 billion from Php 1.4 billion a year ago. The bulk was contributed by the Php 762 million in pre-tax capital gains from the sale of shares in wholly-owned subsidiaries Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. in the first quarter of 2008.

Expenses

For the first six months of 2008, total expenses amounted to Php 11.3 billion, 26% more than the Php 8.9 billion in 1H07. The bulk was accounted for by real estate cost of sales at Php 9.4 billion, 30% more than last year in line with the growth of the various business segments.

General and Administrative Expenses (GAE) were tightly controlled and rose by only 11% y-o-y to Php 1.3 billion, a much lower pace than the 26% increase in real estate revenues. Interest and other charges likewise increased by only 3% to Php 515 million as of end-June 2008 from Php 501 million the previous year.

Project and Capital Expenditures

For the first half of 2008, ALI spent a total of Php 7.9 billion for project and capital expenditures, 17% more than the Php 6.9 billion spent in 1H07. This represents 32% of the full year 2008 budget of Php 24.3 billion.

Residential Development projects accounted for the bulk of capex at 54% of total or Php 4.3 billion. Corporate Business followed and used 23% or Php 1.8 billion, mainly for UP TechnoHub and Dela Rosa E-Services Building. Shopping Centers spent 14% or Php 1.1 billion, while the balance was accounted for by Strategic Landbank Management and Visayas-Mindanao. The Company expects to substantially catch-up with its capital expenditure program in the second half of the year.

Financial Condition

ALI's balance sheet continues to remain healthy and strong with a Net Cash position of Php 4.6 billion and a Current Ratio of 1.59:1 at end-June 2008. Cash and Cash Equivalents stood at Php 15.0 billion, Php 1.3 billion more than the end-2007 level mainly due to proceeds from the aforementioned sale of the three subsidiaries. Meanwhile, Total Borrowings rose only slightly to Php 10.4 billion from the December 2007 level, translating to a Debt-to-Equity Ratio of 0.22:1.

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items – 1H 2008 versus 1H 2007

26% increase in real estate revenues

Primarily due to higher revenues from residential developments and construction business, as well as better revenue performance of corporate business, strategic landbank management and Visayas-Mindanao operations.

136% increase in equity in net earnings of investees, interest, fees, investment and other income

Largely due to higher income from ALI's corporate vehicles for its investment in Bonifacio Global City as well as improved performance of Cebu Holdings Inc. and Alabang Commercial Corporation, higher interest income from money market transactions, and gain on sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc.

32% increase in real estate costs and expenses

Mainly due to higher real estate revenues.

11% increase in general and administrative expenses

Primarily due to higher payroll costs and benefits given salary and manpower increases.

22% increase in other charges

Largely due to higher financing charges.

42% increase in provision for income tax

Mainly due to the higher taxable income during the period.

53% decrease in net income attributable to minority interests

Largely due to lower income of Ayala Hotels, Inc. following the sale of Oakwood recognized in 1Q07.

Balance Sheet items – June 30, 2008 versus End-2007

10% increase in cash and cash equivalents

Largely due to proceeds from sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc.

11% increase in short-term investments

Largely due to Serendra, Inc.'s money market placements.

10% increase in accounts and notes receivable (current portion)

Primarily due to increase in Makati Development Corporation's receivables from projects such as US Embassy and Bonifacio Global City BPO.

17% increase in real estate inventories

Largely due to set-up of additional costs for Anvaya shares, and disbursements for actual development of Anvaya, Abrio, Westgrove, Treveia and various Avida projects.

36% increase in other current assets

Mainly due to Makati Development Corporation's deferred charges representing costs on new and future projects and higher prepaid expenses such as business tax, commissions and supplies inventories.

30% decline in non-current accounts and notes receivable

Primarily due to changes in Avida's classification of trade receivables.

11% increase in investments in associates and jointly controlled entities

Mainly due to additional investment in Cebu Property Ventures Development Corp. (CPVDC) relative to the Cebu eBloc project and increase in earnings from Fort Bonifacio Development Corp. (FBDC).

20% increase in property and equipment

Primarily due to disbursements for the construction of Glorietta 5, Greenbelt 5 Phase 2 and San Lazaro BPO.

44% increase in deferred tax assets

Primarily due to higher recognized real estate sales.

27% increase in other non-current assets

Mainly due to disbursements for future projects.

17% increase in account and other payables

Largely due to higher trade payable from construction of Glorietta 5 and Q Mall, and increase in Makati Development Corporation's accrual of salaries, equipment rental and cost of materials.

14% increase in short-term debt

Largely due to short-term loan availments by Avida Land and Station Square East Commercial Corporation.

25% decline in income tax payable

Primarily due to higher creditable withholding tax recognized by Serendra, Inc. in 2008.

31% increase in current portion of long-term debt

Largely due to loan maturities and reclassification from non-current to current loans of Station Square East Commercial Corporation.

12% decrease in long-term debt – net of current portion

Mainly due to the reclassification from non-current to current loans of Station Square East Commercial Corporation.

160% increase in deferred tax liabilities

Primarily due to timing differences in tax recognition of Serendra, Inc.

7% increase in deposits and other non-current liabilities

Mainly due to increase in buyers' deposits for new residential projects and tenants' deposits for office and shopping center spaces.

83% increase in deferred credits

Primarily due to higher real estate sales.

11% increase in stock options outstanding
Primarily due to ESOP availments.

272% increase in unrealized gain on available-for-sale financial assets
Mainly due to market valuation of Ayala Hotel, Inc.'s investment in Manila Golf and Country Club and Makati Sports Club.

9% increase in retained earnings
Largely because of income generated in 2008.

12% increase in treasury stock
Primarily due to the fractional shares that resulted from the stock dividend.

PART II - OTHER INFORMATION

Item 3. 2Q 2008 Developments

- | | | | | | | | | |
|--|---|---|------|-------------------|-------|--------------------------|--|-------------------|
| A. New project or investments in another line of business or corporation | None. | | | | | | | |
| B. Composition of Board of Directors (as of June 30, 2008) | Fernando Zobel de Ayala
Jaime Augusto Zobel de Ayala II
Jaime I. Ayala
Mercedita S. Nolloedo
Francis G. Estrada
Delfin L. Lazaro
Aurelio R. Montinola III
Corazon dela Paz - Bernardo
Ramon R. del Rosario, Jr. | Chairman
Vice Chairman
President & CEO
Corp. Secretary
Director
Director
Director
Director
Director | | | | | | |
| C. Performance of the corporation or result/progress of operations | Please see unaudited consolidated financial statements and management's discussion on results of operations. | | | | | | | |
| D. Declaration of dividends | <u>P0.03 cash dividend</u>
Declaration date: May 12, 2008
Record date: June 11, 2008
Payment date: June 27, 2008 | | | | | | | |
| 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 | ALI has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Option Plan (ESOWN) covering 2.5% of the company's authorized capital stock.

In 2005, the company introduced a revised ESOWN granted to qualified officers.

As of June 30, 2008, stock options outstanding* are as follows: <table border="0" style="margin-left: 40px;"> <tr> <td>ESOP</td> <td>41,295,421 shares</td> </tr> <tr> <td>ESOWN</td> <td><u>35,736,497</u> shares</td> </tr> <tr> <td></td> <td>77,031,918 shares</td> </tr> </table> | | ESOP | 41,295,421 shares | ESOWN | <u>35,736,497</u> shares | | 77,031,918 shares |
| ESOP | 41,295,421 shares | | | | | | | |
| ESOWN | <u>35,736,497</u> shares | | | | | | | |
| | 77,031,918 shares | | | | | | | |
| | * <i>outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued</i> | | | | | | | |
| G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate | None. | | | | | | | |

H. Other information, material events or happenings that may have affected or may affect market price of security None.

I. Transferring of assets, except in normal course of business None.

Item 4. Other Notes to 1H 2008 Operations and Financials

J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents Please see Notes to Financial Statements (Item #7).

K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period None.

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 Issuance of Php 4 billion worth of fixed-rate retail corporate bonds in August 2008.

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. Other material events or transactions during the interim period Sale of shares in three subsidiaries, Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc., to Megaworld.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation None.

- R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period**
- None.
- S. Material commitments for capital expenditures, general purpose and expected sources of funds**
- For year 2008, Ayala Land's consolidated budget for project and capital expenditures amount to P24.3 billion. About 42% is earmarked for residential developments, 30% for corporate business, 14% for shopping centers, and the balance for strategic landbank management, Visayas-Mindanao, and support businesses. This will be financed through a combination of internally-generated funds, borrowings, pre-selling and with proceeds from sale of non-core assets.
- For the first six months of 2008, consolidated project and capital expenditures amounted to 7.9 billion, about 32% of the P24.3 billion budget for the whole year. About 54% was spent for Residential projects, 23% for Corporate business, 14% for Shopping Centers, and the balance for Visayas-Mindanao, Strategic Landbank Management and Support businesses.
- T. 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. Interest rate movements may affect the performance of the real estate industry, including the Company.
- U. Significant elements of income or loss that did not arise from continuing operations**
- None.
- V. 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 #7).
- W. Seasonal aspects that had material effect on the financial condition or results of operations**
- ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.
- 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.

X. Disclosures not made under SEC Form 17-C None.

Item 5. Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	<i>End-June 2008</i>	<i>End-December 2007</i>
Current ratio ¹	1.59:1	1.65:1
Debt-to-equity ratio ²	0.22:1	0.22:1
	<i>1H 2008</i>	<i>2007</i>
Return on assets ⁴	6.7% ⁵	5.4%
Return on equity ⁵	12.4% ⁵	10.2%

¹ *Current assets / current liabilities*

² *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*

³ *Net income / average total assets*

⁴ *Net income / average stockholders' equity*

⁵ *1H08 NIAT annualized/average of end Jun-08 and end Dec-07 assets and equity*

SIGNATURE

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:

A handwritten signature in black ink, appearing to read "Jaime E. Ysmael", with a long, sweeping flourish extending to the right.

Jaime E. Ysmael
Senior Vice President and Chief Finance Officer

Date: August 11, 2008