

PSE Number: PR-010  
SEC Number: 152-747  
File Number: \_\_\_\_\_

**AYALA LAND, INC.**

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(Company's Full Name)

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

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(Company Address)

(632) 848-5313

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(Telephone Number)

**March 31, 2004**

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(Quarter Ending)

**Amended SEC Form 17-Q Quarterly Report**

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(Form Type)

Notes to FS (Item 6)  
Notes to 1Q2004 Operations & Financials (Items Q & R)  
Key Performance Indicators

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(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 **March 31, 2004**
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 March 31, 2004**

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
<b>Common shares</b>	<b>10,762,505,434</b>

Amount of Debt Outstanding  
**P 14.24 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 STATEMENTS

### Item 1. Financial Statements

** AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*As of March 31, 2004 and December 31, 2003*

	<b>Unaudited</b>	<b>Audited</b>
	<b>MAR 2004</b>	<b>DEC 2003</b>
<b>(in million pesos)</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4,008	4,855
Accounts and notes receivables - net	4,755	4,506
Subdivision land for sale	3,700	3,884
Condominium and residential units for sale	3,646	3,264
Deferred tax and other current assets	1,180	995
<b>Total Current Assets</b>	<b>17,289</b>	<b>17,504</b>
<b>Noncurrent Accounts and Notes Receivable</b>	<b>6,224</b>	<b>5,459</b>
<b>Land and Improvements</b>	<b>18,931</b>	<b>19,065</b>
<b>Investments</b>	<b>23,227</b>	<b>22,712</b>
<b>Property and Equipment</b>	<b>1,488</b>	<b>1,514</b>
<b>Other Assets</b>	<b>1,008</b>	<b>758</b>
	<b>68,167</b>	<b>67,012</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	4,303	4,023
Loans payable	1,507	1,457
Income tax payable	141	113
Current portion of:		
Long-term debt	1,469	1,336
Estimated liability for land and property development	2,174	2,446
Other current liabilities	325	458
<b>Total Current Liabilities</b>	<b>9,919</b>	<b>9,833</b>
<b>Long-term Debt - net of current portion</b>	<b>11,265</b>	<b>11,588</b>
<b>Noncurrent Liabilities and Deposits</b>	<b>3,266</b>	<b>3,247</b>
<b>Estimated Liability for Land and Property Development</b>	<b>1,934</b>	<b>1,228</b>
<b>Minority Interest</b>	<b>5,973</b>	<b>5,843</b>
<b>Stockholders' Equity</b>	<b>35,810</b>	<b>35,273</b>
	<b>68,167</b>	<b>67,012</b>



**AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**AND UNAPPROPRIATED RETAINED EARNINGS**  
*For the Three Months Ended March 31, 2004 and 2003*

	UNAUDITED	
	January 1 to March 31	
	2004	2003
<b>(in million pesos)</b>		
<b>REVENUES</b>		
Real estate	3,082	2,607
Hotel operations	380	316
Interest and other income	228	182
	<b>3,690</b>	<b>3,105</b>
<b>COSTS AND EXPENSES</b>		
Real estate	1,958	1,615
Hotel operations	283	278
General and administrative expenses	399	290
Interest and other charges	244	188
Provision for income tax	240	202
	<b>3,124</b>	<b>2,573</b>
<b>INCOME BEFORE NET EARNINGS APPLICABLE TO MINORITY INTEREST</b>		
	566	532
<b>NET EARNINGS APPLICABLE TO MINORITY INTEREST</b>		
	(30)	(22)
<b>NET INCOME</b>		
	536	510
<b>UNAPPROPRIATED RETAINED EARNINGS, BEGINNING</b>		
	14,995	15,780
Prior period adjustments - Per SFAS38/IAS38 Intangible Assets (Write-off of Pre-operating Expenses)		(82)
Cash dividends		
<b>UNAPPROPRIATED RETAINED EARNINGS, ENDING</b>		
	15,531	16,208
<b>EARNINGS PER SHARE*</b>		
	0.05	0.05

\* Based on 10,706,701,000 and 10,693,720,800 weighted average number of shares as of March 31, 2004 and 2003, respectively.



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

*For the Three Months Ended March 31, 2004 and 2003*

	UNAUDITED	
	January 1 to March 31	
	2004	2003
<b>(in million pesos)</b>		
<b>CAPITAL STOCK - P1 par value</b>		
<b>Issued</b>		
Balance at beginning of year	10,754	10,684
Issuance of shares		
Stock options exercised		
Stock dividends		
Balance at end of the year	10,754	10,684
<b>Subscribed</b>		
Balance at beginning of year	9	9
Issuance of shares		
Stock options exercised (cancelled)		
Stock dividends		
Balance at end of the year	9	9
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of year	3,527	3,019
Stock options exercised -net		
Balance at end of year	3,527	3,019
<b>SUBSCRIPTIONS RECEIVABLE</b>		
Balance at beginning of year	(10)	(17)
Stock options exercised - net		3
Balance at end of year	(10)	(14)
	<b>14,280</b>	<b>13,698</b>
<b>RETAINED EARNINGS</b>		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year	14,995	15,780
Prior period adjustments		(82)
Cash dividends		
Net income	536	510
Balance at end of year	15,531	16,208
	<b>21,531</b>	<b>22,208</b>
<b>TREASURY STOCK</b>		
Balance at beginning of year	(1)	(1)
Shares repurchased		
Balance at end of year	(1)	(1)
	<b>35,810</b>	<b>35,906</b>



**AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*For the Three Months Ended March 31, 2004 and 2003*

	<b>UNAUDITED</b>	
	<b>January 1 to March 31</b>	
	<b>2004</b>	<b>2003</b>
<b>(in million pesos)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	536	510
Adj. to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	228	195
Provision for doubtful accounts		5
Net earnings applicable to minority interest	30	22
Equity in net earnings of affiliates	(30)	(29)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts and notes receivable - trade	(1,313)	(602)
Subdivision land for sale	184	143
Condominium and residential units for sale	(382)	(347)
Deferred tax and other current assets	(185)	(223)
Increase (decrease) in:		
Accounts payable and accrued expenses	600	152
Income tax payable	29	56
Other current liabilities	(133)	45
Estimated liability for land and property development	434	933
Net cash provided by operating activities	(2)	860
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of (addition to):		
Land and improvements	134	(201)
Investments	(619)	(33)
Property and equipment	(54)	(103)
Decrease (increase) in:		
Accounts and notes receivable - non trade	299	(576)
Other assets	(264)	(74)
Net cash used by investing activities	(504)	(987)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (payment of) short-term loans	50	(305)
Proceeds from (payment of) long-term debt	(190)	731
Dividends paid	(321)	(325)
Increase (decrease) in:		
Noncurrent liabilities and deposits	19	286
Minority interest	101	(36)
Additional issuance of capital stock	0	3
Net cash provided by financing activities	(341)	354
<b>NET INC. (DEC.) IN CASH AND CASH EQUIVALENTS</b>	<b>(847)</b>	<b>227</b>
<b>CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD</b>	<b>4,855</b>	<b>5,713</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,008</b>	<b>5,940</b>



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

1. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the Philippines using the historical cost basis. Accounting principles/policies and methods of computation applied for the three months ended March 31, 2004 are the same as those applied in the preceding calendar year.
2. 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 Sales, Inc.	100
Ayala Realty Development Corporation	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc.	100
Crimson Field Enterprises, Inc.	100
Food Court Company, Inc.	100
Laguna Properties Holdings, Inc. (LPHI) and subsidiaries	100
Regent Time International, Limited	100
Red Creek Properties, Inc.	100
Serendra, Inc.	100
Station Square East Commercial Corporation	80
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
<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

*Entertainment:*

Five Star Cinema, Inc.	100
Leisure and Allied Industries Phils., Inc (LAIPI)	50

*Others:*

ALLnet.com, Inc.	100
Ayala Infrastructure Ventures, Inc	100

3. Receivables

Aging of Receivables (as of March 31, 2004; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	1,774	750	5,656	488	8,668
Non-Trade Receivables	1,436	305	568	2	2,311
Total	3,210	1,054	6,224	491	10,979

4. Loans Payable and Long-Term Debt

Loans Payable (as of March 31, 2004; in Million Pesos)

<u>Borrower</u>	<u>Amount</u>
ALI	1,000.0
API	44.0
AGDC	163.0
LAIPI	40.0
LPHI	260.0
Total	<u>1,507.0</u>

Long-Term Debt (as of March 31, 2004; 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 (incl. bonds)	1,100.0		8,235.0		9,335.0	
AGDC			155.0		155.0	
CIHCI	64.1	1.1	32.0	0.6	96.1	1.7
	27.9		173.7		201.6	
LPHI	125.9		788.2		914.1	
LRHC			1,310.0		1,310.0	
MPVI	160.8	2.9	561.6	10.0	722.4	12.9
Total	<u>1,478.7</u>	<u>4.0</u>	<u>11,255.5</u>	<u>10.6</u>	<u>12,734.2</u>	<u>14.6</u>

\* *Peso equivalent of US\$ loans (when applicable);*

*Exchange rate of P56.216/US\$ (PDS average for March 31, 2004)*

## Issuances, Repurchases and Repayments of Debt and Equity Securities

### Issuances of Debt and Equity Securities / New Financing through Loans – January – March 2004 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
AGDC	40.0	bank loan
LPHI	<u>30.0</u>	bank loan
Total	<u>70.0</u>	

### Repayments of Debt and Equity Securities – January – March 2004 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	83.3	amortization on bank loan
CIHCI	4.0	amortization on bank loan
	32.0	amortization on US\$ loan *
LPHI	22.8	amortization on bank loan
MPVI	<u>80.4</u>	amortization on US\$ loan *
Total	<u>222.5</u>	

\* Amounts converted into Pesos at P56.216/US\$ (PDS average for March 31, 2004)

## 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 (+/- 5% or more) in the financial statements

### Income Statement items – 1Q 2004 versus 1Q 2003

#### *18% increase in real estate revenues*

Principally due to higher sales bookings at Ayala Westgrove Heights, Ayala Greenfield Estates, Paseo de Magallanes, Ayala Northpoint and Laguna Technopark; sales at The Residences at Greenbelt (Laguna Tower) which was launched in 2Q 2003; revenue recognition on prior years' sales due to additional construction accomplishment at One Legazpi Park and The Columns; higher mass housing sales

due to new projects; higher rental revenues from shopping centers; and higher construction revenues.

*20% increase in revenues from hotel operations*

Primarily due to higher occupancy and room rates at the Company's hotel properties.

*25% increase in interest and other income*

Mainly due to absence of loss on sale of investment in a landholding company in 1Q2004.

*21% increase in real estate cost and expenses*

Mainly due to higher real estate revenues and change in revenue/product mix.

*38% increase in general and administrative expenses*

Primarily due to higher payroll costs, as well as additional expenses from expanding subsidiaries such as Ayala Land Sales, Inc. and Community Innovations, Inc.

*29% increase in interest and other charges*

Principally due to higher consolidated debt and higher effective interest rate.

*19% increase in provision for income tax*

Basically due to higher effective income tax rate in 1Q2004.

*35% increase in net earnings applicable to minority interest*

Largely due to higher net income from Laguna Technopark, Inc. and Ayala Hotels, Inc.

Balance Sheet items – March 31, 2004 versus End-2003

*17% decline in cash and cash equivalents*

Mainly due to the upfront cash payment to BCDA for the Serendra project.

*6% increase in receivables*

Primarily due to additional sales at Community Innovation's new projects and higher receivables from construction projects of Makati Development Corporation.

*12% increase in condominium and residential units for sale*

Largely due to construction progress at new residential building projects such as One Legazpi Park, The Residences at Greenbelt (Laguna Tower) and The Columns.

*19% increase in deferred tax and other current assets*

Mainly due to higher prepaid expenses and creditable withholding taxes of some subsidiaries.

*14% increase in non-current accounts and notes receivables*

Largely due to increase in installment sales at various projects.

*33% increase in other assets*  
Mainly due to increase in prepaid items.

*7% increase in accounts payable and accrued expenses*  
Primarily due to the additional payables recognized by some subsidiaries such as Makati Development Corporation, Station Square East Commercial Corporation and Roxas Land Corporation.

*25% increase in income tax payable*  
Additional income tax payable mainly due to first quarter operations.

*10% increase in current portion of long-term debt*  
Largely due to reclass of maturing principal amortization of long-term debt.

*11% decline in current portion of estimated liability for land and property development*  
Due to increased construction accomplishment at existing residential building projects.

*29% decrease in other current liabilities*  
Due to the decline in payables to a landowner.

*57% increase in non-current portion of estimated liability for land and property development*  
Primarily due to new sales at existing and new projects.

## 7. Segment information

	Land, Condo- minium and Resd'l Units	Rentals	Hotel Operations	Construction	Others	Total
<b><u>YTD-MARCH 2004 (in million pesos)</u></b>						
Revenues	1,810	947	379	325	228	3,690
Operating expenses	1,379	208	241	242	341	2,411
Earnings before interest, taxes, depreciation and amort (EBITDA)	431	738	138	83	(113)	1,278
Depreciation and amortization	16	106	44	21	42	229
EBIT	416	633	94	62	(155)	1,050
Segment assets	32,182	15,495	4,538	1,283	14,669	68,167
Segment liabilities	10,493	3,501	3,241	1,004	14,119	32,358

<b><u>YTD-MARCH 2003 (in million pesos)</u></b>						
Revenues	1,531	870	316	206	182	3,105
Operating expenses	1,245	244	245	169	87	1,989
Earnings before interest, taxes, depreciation and amort (EBITDA)	285	626	71	37	96	1,116
Depreciation and amortization	10	103	49	15	17	194
EBIT	276	523	22	23	79	922
Segment assets	30,309	13,897	4,951	1,297	13,370	63,824
Segment liabilities	8,249	2,002	3,890	1,275	12,502	27,918

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

### ***Results of Operations for the Three Months Ended March 31, 2004***

In the first quarter, Ayala Land successfully launched new projects and maintained market interest in existing key developments amidst pre-election concerns. The Company realized a 19% growth in consolidated revenues to P3.69 billion. Net income for the quarter was posted at P536 million, 5% higher than that of previous year.

Ayala Land's rental properties performed favorably and delivered a 9% growth in rental revenues which amounted to P947 million and accounted for 26% of consolidated revenues. Shopping center rental revenues represented 79% to total rentals and grew by 12% year-on-year. Ayala Center, 94% occupied, remained the largest contributor to rentals as its total sales increased by 10% from the previous year's level. Growth was mainly on account of the new stores at Greenbelt 4, the robust sales of some land tenants, and improved sales owing to the continued merchant replacement program. Ayala Center also posted a 10% same-store sales growth.

The Company's office buildings for lease maintained high occupancy rates, averaging at 96%, and contributed 15% to total rentals. To augment office rental revenues, the Company broke ground in March for the PeopleSupport Center, a 15,800-sqm office building – the country's first structure fully dedicated to call center and business process outsourcing operations – in the Makati Central Business District. Leased units at The Residences at Greenbelt Townhouses, Regency at Salcedo, and One Roxas Triangle, gasoline station and carpark sites contributed the remaining 6% balance of total rental revenues.

Revenues from land sales, representing 18% of total revenues, increased by 14% to P666 million. Driving land sales higher were increased sales at the Ayala South communities due to the opening of new phases, aggressive sales promotions, and the completion of more amenities. Ayala Westgrove Heights offered 100 new lots for sale during the first quarter, bringing cumulative offering to 1,429 lots, 85% of which has been taken up by end-March. Meanwhile, 85% of the 457 lots at Ayala Greenfield Estates has been taken up. Bookings at Paseo de Magallanes were also higher with the launch of Phase 2 in June 2003. Also driving revenues from land sales were increased bookings at Ayala Northpoint and Laguna Technopark. Two industrial lots totaling 14,400 sqms were sold in the first quarter, compared to the two lots with combined area of about 6,300 sqms sold in the same period last year.

Residential unit sales generated P467 million in revenues, representing a 14% year-on-year growth and accounting for 13% of total. Sustained interest at the 249-unit The Residences at Greenbelt (Laguna Tower) saw the take-up rate move up to 75% by the end of the first quarter. Meanwhile, construction at the nearly fully sold One Legazpi Park was in full swing, enabling the Company to recognize revenues on prior years' sales. The Residences at Greenbelt (Laguna Tower) was 6% complete as of end-March while One Legazpi Park's completion rate was at 53%. Additional sales at Ferndale Homes, Montgomery Place and One Roxas Triangle also contributed to revenues. Serendra, a joint venture project with the BCDA, was launched in March with

586 units for the first phase, and will start contributing to revenues in the succeeding quarters.

With new projects launched by Laguna Properties Holdings, Inc. (LPHI), sales bookings reached 381 units, 49% higher than previous year, and amounted to P474 million, representing 13% of Ayala Land's consolidated revenues. This represents a slight increase of 3% in mass housing revenues year on year, given the high base effect of 1<sup>st</sup> Quarter 2003 revenues which included commercial lot sales. Major contributors to the improved performance were the newly launched projects such as the two towers of One Aeropolis in Sucat, Parañaque and Sta. Arcadia Estates and Sta. Arcadia Town Center in Cabanatuan, Nueva Ecija. LPHI also continued to introduce additional phases in its existing developments.

Revenues from hotel operations, contributing 10% to consolidated revenues, improved by 20% to P380 million, owing to higher occupancy and room rates compared to previous year. To recall, the hotel sector was negatively affected by the SARS scare during the first half of last year. Oakwood Premier Ayala Center posted an average occupancy rate of 82%, well above Makati CBD's average of 77%, while Cebu City Marriott Hotel's occupancy rate averaged at a high 87%, much better than Cebu hotel's average of 75%. Hotel InterContinental Manila's occupancy rate was at par with the MCBDB average.

Construction projects of wholly owned subsidiary Makati Development Corporation (MDC) contributed 9% to consolidated revenues or P325 million, up by 58%. Primarily accounting for the increase were key projects like Market! Market! and Ayala Greenfield Estates.

The core middle-income residential segment through Community Innovations, Inc. (CII) contributed 5% to total revenues or P203 million, up by 163% year-on-year. Primarily accounting for higher core-mid revenues were additional take-up at the Columns, as well as revenue recognition on prior years' sales due to construction accomplishment. Nearly fully sold Tower 1 of the Columns was 33% complete as of end-March while Tower 2, 77% taken up, was 10% complete. Tower 3 was 53% taken up but its completion rate was still at 0%. Meanwhile, take-up rate for the 28 commercial lots at Verdana Homes in Cavite progressed to 46%. Verdana Homes Mamplasan, launched in February this year, posted an 11% take-up rate for the 416 lots offered for sale.

### ***Financial Condition***

The Company's financial standing enables it to expand its market presence even under uncertain business conditions.

As of March 31, 2004, Ayala Land had P68.2 billion in assets and P35.8 billion in stockholders' equity. The Company remains highly liquid with cash reserves of P4.0 billion and a current ratio of 1.74:1. With total borrowings of P14.24 billion, Ayala Land's bank debt-to-equity and net debt-to-equity ratios are still at comfortable levels of 0.40:1 and 0.29:1, respectively. The Company will soon be renewing its STCP issue at

an increased amount of P2.0 billion which was again given the highest credit rating of PRS1 by Philratings.

During the three-month period, Ayala Land (parent company) disbursed P1.36 billion or 24% of the P5.6 billion project & capital expenditures earmarked for the year. In terms of consolidated project & capital expenditures, Ayala Land spent P2.22 billion or 23% of the P9.5 billion budget for the year. Key projects which involved sizeable disbursements included Market! Market!, Serendra and The Columns.

### ***Looking Ahead***

For the rest of the year, Ayala Land has lined up a number of undertakings that will fortify the Company's market presence. In addition to projects introduced during the first quarter such as Serendra, Verdana Mamplasan and PeopleSupport Center, the Company, through FBDC, recently launched the 5-hectare Bonifacio Triangle. To further beef up its rental portfolio, Ayala Land will break ground on the North Triangle Commercial Center within the second half of the year while the initial phase of Market! Market! will open in the fourth quarter.

In addition, the Company will continue to enhance its existing developments and offer new phases in projects like Ayala Westgrove Heights, Ayala Greenfield Estates, Ayala Hillside Estates and Montgomery Place. Meanwhile, LPHI intends to launch the third tower of One Aeropolis, as well as other new residential subdivision projects, during the year.



## PART II - OTHER INFORMATION

### Item 3. 1Q 2004 Developments

- A. New project or investments in another line of business or corporation** None.
- 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. Nollo              | Director      |
| Jaime I. Ayala                  | Director      |
| Delfin L. Lazaro                | Director      |
| Leandro Y. Locsin, Jr.          | Director      |
| Ramon R. del Rosario, Jr.       | Director      |
| Nieves R. Confesor              | 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** None.
- 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 March 31, 2004, stock options outstanding are as follows:
- |       |                         |
|-------|-------------------------|
| ESOP  | 135,588,801 shares      |
| ESOWN | <u>1,258,000</u> shares |
|       | 136,816,801 shares      |
- 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** None.

of security

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

**Item 4.      Other Notes to 1Q2004 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**      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**      Renewal of Ayala Land's P1.0B STCP at an increased amount of P2.0 billion

- 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 and other material events or transactions during the interim period**      None.

- Q. 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 2004, Ayala Land (parent company) is budgeting P5.6 billion for project and capital expenditures. Consolidated project & capital expenditures is budgeted at P9.5 billion. This will be financed through a combination of internally-generated funds, borrowings and pre-selling.
- For January to March 2004, Ayala Land (parent company) disbursed P1.36 billion or 24% of the full year budget. Consolidated project & capital expenditures for 1Q2004 totaled P2.22 billion or 23% of the consolidated budget for the year.
- 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. 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.
- 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 #6).
- W. 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.

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

**Item 5. Key Performance Indicators**

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

	<i>End-1Q03</i>	<i>End-1Q04</i>
Current ratio <sup>1</sup>	2.22:1	1.74:1
Debt-to-equity ratio <sup>2</sup>	0.31:1	0.40:1
Net debt-to-equity ratio <sup>3</sup>	0.15:1	0.29:1
	<i>1Q03</i>	<i>1Q04</i>
Return on assets <sup>4</sup>	0.8%	0.9%
Return on equity <sup>5</sup>	1.4%	1.5%

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total interest-bearing debt (inclusive of bonds and CPs) / stockholders' equity*

<sup>3</sup> *Interest-bearing debt less cash & cash equivalents / stockholders' equity*

<sup>4</sup> *Net income / total assets (at the beginning of the year)*

<sup>5</sup> *Net income / stockholders' equity (at the beginning of the year)*

## 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: June 4, 2004