

SEC Number: 152-747

File Number: _____

AYALA LAND, INC.

(Company's Full Name)

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

(Company Address)

(632) 848-5313

(Telephone Number)

March 31, 2007

(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 **March 31, 2007**
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, 2007

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	10,861,990,4812

Amount of Debt Outstanding
P12.75 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.
Consolidated Balance Sheets
As of March 31, 2007 and December 31, 2006
(in million pesos)

	March 2007 Unaudited	December 2006 Audited
ASSETS		
Current Assets		
Cash, cash equivalents and short-term investments	11,142	9,510
Accounts and notes receivable - net	9,075	10,644
Real estate inventories	7,632	7,736
Other current assets	2,084	1,411
Total Current Assets	29,933	29,301
Noncurrent assets held for sale	-	2,084
	29,933	31,385
Noncurrent Assets		
Non-current accounts and notes receivable	3,272	2,025
Land and improvements	17,035	16,875
Investments in associates and jointly controlled entities - net	9,405	8,791
Available-for-sale financial assets	414	415
Investment properties - net	12,774	13,033
Property and equipment - net	3,850	3,725
Deferred tax assets - net	798	783
Other noncurrent assets	1,191	1,164
Total Noncurrent Assets	48,739	46,811
	78,672	78,196
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	11,619	12,127
Short-term debt	1,697	1,556
Income tax payable	286	147
Current portion of long-term debt	3,656	3,563
Other current liabilities	359	443
Total Current Liabilities	17,617	17,836
Liabilities directly associated with noncurrent assets held for sale	-	469
	17,617	18,305
Noncurrent Liabilities		
Long-term debt - net of current portion	7,400	7,718
Pension liabilities	92	92
Deferred tax liabilities - net	414	415
Deposits, deferred credits and other noncurrent liabilities	4,950	4,482
Total Noncurrent Liabilities	12,856	12,707
Total Liabilities	30,473	31,012
Equity		
Equity Attributable to Equity Holders of Ayala Land, Inc.		
Paid-up Capital	14,597	14,581
Stock Options Outstanding	106	108
Unrealized Loss on Available-for-sale Financial Assets	(64)	(64)
Retained Earnings	27,262	25,973
Treasury Stock	(1)	(1)
	41,900	40,597
Minority interests	6,299	6,587
	48,199	47,184
	78,672	78,196



Ayala Land, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2007 and March 31, 2006
(in million pesos)

	Jan.-Mar. 2007	Jan.-Mar. 2006
	Unaudited	Unaudited
REVENUE		
Real estate	4,912	4,256
Hotel operations	367	484
Equity in net earnings of investees	233	56
Interest, fees, investment and other income	939	660
	6,451	5,456
COSTS AND EXPENSES		
Real estate	3,270	2,699
Hotel operations	222	311
General and administrative expenses	526	461
Interest and other charges	279	220
	4,297	3,691
INCOME BEFORE INCOME TAX	2,154	1,765
PROVISION FOR INCOME TAX	467	485
NET INCOME	1,687	1,280
Net Income Attributable to :		
Equity holders of Ayala Land, Inc.	1,288	1,175
Minority interests	399	105
	1,687	1,280
Earnings per Share		
Basic *	0.12	0.11
Diluted **	0.12	0.11

* Based on 10,851,863,487 and 10,801,483,283 weighted average number of shares as of March 31, 2007 and March 31, 2006, respectively

** Based on 10,884,616,211 and 10,841,603,893 weighted average number of shares as of March 31, 2007 and March 31, 2006, respectively



Ayala Land, Inc.
Consolidated Statement of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2007 and March 31, 2006
(in million pesos)

	Jan.-Mar. 2007 Unaudited	Jan.-Mar. 2006 Unaudited
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.		
CAPITAL STOCK		
Issued		
Balance at beginning of year	10,810	10,795
Issuance of shares	1	0
Stock options exercised	18	6
Balance at end of year	10,829	10,801
Subscribed		
Balance at beginning of year	34	1
Issuance of shares	(1)	0
Stock options exercised	0	0
Balance at end of year	33	1
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	3,863	3,592
Stock options exercised	6	21
Balance at end of year	3,869	3,613
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(127)	(3)
Subscriptions	(16)	0
Collections	9	1
Balance at end of year	(134)	(2)
TOTAL PAID-UP CAPITAL	14,597	14,413
STOCK OPTIONS		
Balance at beginning of year	108	120
Cost of stock options	7	28
Stock options exercised	(9)	(28)
Balance at end of year	106	120
TREASURY STOCK	(1)	(1)
RETAINED EARNINGS		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year	19,974	17,951
Cash dividends	0	0
Net income	1,288	1,175
Balance at end of year	21,262	19,126
	27,262	25,126
UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	(64)	(8)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.	41,900	39,650
MINORITY INTERESTS		
Balance at beginning of year	6,587	6,892
Net income	399	105
Decrease in minority interests	(682)	(242)
Loss on redemption of preferred shares	(5)	0
Dividends paid to minority interests	0	(16)
Balance at end of year	6,299	6,740
	48,199	46,390
Total income and expense recognized for the year		
Net income attributable to:		
Equity holders of Ayala Land, Inc.	1,288	1,175
Minority interests	399	105
	1,687	1,280
Net unrealized gain recognized in equity:		
Equity holders of Ayala Land, Inc.	-	-
Minority interests	-	-
	-	-
	1,687	1,280



Ayala Land, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2007 and March 31, 2006
(in million pesos)

	Jan.-Mar. 2007 Unaudited	Jan.-Mar. 2006 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	2,154	1,765
Adjustments for:		
Depreciation and amortization	264	278
Interest and other charges - net of amount capitalized	254	221
Gain on sale of investments	(667)	(483)
Equity in net earnings of investees	(233)	56
Interest and other income	(137)	(87)
Operating income before changes in working capital	1,635	1,750
Decrease (increase) in :		
Accounts and notes receivable - trade	430	(277)
Real estate inventories	104	(431)
Other current assets	(673)	(539)
Increase (decrease) in :		
Accounts and other payables	(660)	1,572
Pension liabilities	-	(59)
Other current liabilities	(83)	(65)
Cash generated from operations	753	1,951
Interest received	117	94
Income tax paid	(251)	(609)
Interest paid - net of amount capitalized	(322)	(220)
Net cash provided by (used in) operating activities	297	1,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	1,637	615
Disposals of (additions to):		
Land and improvements	(160)	630
Investments	883	(25)
Property and equipment	(279)	(262)
Decrease (increase) in:		
Noncurrent accounts and notes receivable - non trade	(87)	(945)
Other assets	(43)	(180)
Net cash provided by (used in) investing activities	1,951	(167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of) short-term loans payable	305	(164)
Proceeds from (payment of) long-term loans payable	(389)	(553)
Increase (decrease) in :		
Deposits and other noncurrent liabilities	466	840
Minority interest in consolidated subsidiaries	(682)	(242)
Proceeds from capital stock subscriptions	14	38
Loss on redemption of preferred shares	(5)	-
Dividends paid to minority	-	(16)
Dividends paid to equity holders of Ayala Land, Inc.	(325)	(338)
Net cash provided by (used in) financing activities	(616)	(435)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,632	614
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,510	6,756
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,142	7,370

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

1. The consolidated financial statements of ALI and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the Philippines, as set forth in Philippine Financial Reporting Standards (PFRSs). Accounting principles/policies and methods of computation applied for the three months ended March 31, 2007 are the same as those applied in the preceding calendar year.

There was no new accounting standard adopted in the first three months of 2007 but the Company will adopt the following standards and amendments within the year:

- PFRS 7, *Financial Instruments: Disclosures*, which introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative information about exposure to risks arising from financial instruments, including minimal disclosures about credit risk, liquidity risk, and market risk.
- PAS 1, *Presentation of Financial Statements*, requires the Group to make new disclosures to enable the users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.
- IFRIC 8, *Scope of PFRS 2*, which requires PFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.
- IFRIC 9, *Reassessment of Embedded Derivatives*, requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as derivative on the basis of the condition that existed at the later of the date it first became a party to the contract and the date of reassessment is required.
- IFRIC 10, *Interim Financial Reporting and Impairment*, which requires nonreversal of impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The Group believes that these interpretations will not have a significant impact on the consolidated financial statements of the Group when the interpretations are adopted in 2007.

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>
<i>Real Estate:</i>	<u>(%)</u>
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

3. Receivables / Payables

Aging of Receivables (as of March 31, 2007; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	3,721	1,423	2,672	248	8,064
Non-Trade Receivables	3,190	494	600	0	4,284
Total	6,911	1,917	3,272	248	12,348

Aging of Payables (as of March 31, 2007; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	4,654	1,201	812	0	6,667
Non-Trade Payables	2,949	3,459	4,643	0	11,051
Total	7,603	4,660	5,455	0	17,718

4. Short-Term and Long-Term Debt

Short-Term Debt (as of March 31, 2007; in Million Pesos)

<u>Borrower</u>	<u>Amount</u>
AGDC	213
API	44
Avida	750
LAI	240
SSECC	450
Total	<u>1,697</u>

Long-Term Debt (as of March 31, 2007; 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 *	3,000		5,635		8,635	
AGDC	26		-		26	
Avida	125		-		125	
CIHC	45		33		78	
EHI	-		260		260	
LAI	200		-		200	
SSECC	261		1,472		1,733	
Total	<u>3,656</u>	-	<u>7,400</u>	-	<u>11,056</u>	-

* Including bonds and FXCNs

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans – January – March 2007 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	13	issuance of bonds
AGDC	113	renewal of short-term loans
API	44	renewal of short-term loan
Avida	1,694	renewal of short-term loans and new short-term loans
EHI	40	new long-term loans
LAI	505	renewal of short-term loans and new short-term loans
SSECC	<u>1,230</u>	renewal of short-term loans and new short-term loans
Total	<u>3,639</u>	

Repayments of Debt and Equity Securities – January – March 2007 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	1	retirement of bonds
AGDC	193	payment of matured short-term loans
API	44	payment of matured short-term loan
Avida	1,729	payment of matured short-term loans and amortization on long-term loans
CIHCI	12	amortization on long-term loans
LAI	465	payment of matured short-term loans
MPVI	275	principal payment
SSECC	<u>1,254</u>	payment of matured short-term loans and amortization on long-term loans
Total	<u>3,973</u>	

5. Commercial Paper Issuances and Outstanding Balance
(for the quarter ended March 31, 2007)

None.

6. Accounts and Other Payables

The accounts and other payables as of March 31, 2007 is broken down as follows:
(million)

Accounts payable	P 6,859
Accrued expenses	3,199
Taxes payable	1,116
Dividends payable	413
Retentions payable	<u>32</u>
Total	<u><u>P 11,619</u></u>

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

Income Statement items – 1Q 2007 versus 1Q 2006

15% increase in real estate revenues

Primarily due to higher revenues from residential developments, particularly from high-end and upper middle-income projects, as well as higher construction and property management revenues.

24% decline in hotel operations revenues

Mainly due to the sale of Oakwood Premier Ayala Center.

316% increase in equity in net earnings of investees

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 Lagoon Development Corp.

42% increase in interest, fees, investment and other income

Primarily due to the gain on sale of shares in Makati Property Ventures, Inc. (Oakwood), higher interest income and higher marketing and management fees.

21% increase in real estate costs and expenses

Mainly due to higher real estate revenues.

29% decline in hotel operations costs and expenses

Largely due to the sale Oakwood Premier Ayala Center.

14% increase in general and administrative expenses

Primarily due to higher payroll costs given salary increases following the CBA implementation, as well as manpower increase.

27% increase in interest and other charges

Principally due to higher bank loans.

280% increase in net income attributable to minority interests

Largely due to higher income of Ayala Hotels, Inc. following the sale of Oakwood, as well as higher income of Serendra, Inc., Ayala Greenfield Development Corporation and ALI-CII Development Corporation.

Balance Sheet items – March 31, 2007 versus End-2006

17% increase in cash, cash equivalents and short-term investments

Mainly due to the proceeds from the sale of MPVI shares (Oakwood).

15% decline in accounts and notes receivable (current portion)

Primarily due to improved collection given lower customer payment defaults.

48% increase in other current assets

Mainly due to higher prepaid expenses such as business tax and annual RPT payments.

100% decline in noncurrent assets held for sale

Primarily due to sale of Oakwood.

62% increase in non-current accounts and notes receivable

Largely due to additional sales at new and existing projects.

7% increase in investments in associates and jointly controlled entities

Mainly due to higher investment in North Triangle Depot Commercial Corporation (TriNoma), and increase in earnings of Cebu Holdings, Inc. and of ALI's corporate vehicles for its investment in Bonifacio Global City.

9% increase in short-term debt

Largely due to short-term loan availments by Avida Land, partly offset by loan payments made by Ayala Greenfield Development Corporation.

95% increase in income tax payable

Primarily due to the 1Q2007 corporate income tax, in addition to the corporate income tax in 4Q2006 which was subsequently paid in April 2007.

19% decrease in other current liabilities

Mainly due to decline in buyers' deposits at The Residences at Greenbelt given higher percentage of completion.

100% decline in liabilities directly associated with noncurrent assets held for sale

Primarily due to sale of Oakwood.

10% increase in deposits, deferred credits and other noncurrent liabilities

Mainly due to increase in buyers' deposits for new residential projects.

5% increase in retained earnings

Largely due to income generated in 1Q2007.

8. Segment information

YTD-March 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	82	2,937	978	232	23	1,026	0	5,278	0	5,278
Intersegment sales	0	33	96	0	0	905	0	1,034	(1,034)	0
Equity in net earnings of investees	167	0	13	0	53	0	0	233	0	233
Total revenue	249	2,970	1,087	232	76	1,931	0	6,545	(1,034)	5,511
Operating expenses	59	2,408	512	149	31	1,682	179	5,020	(1,002)	4,018
Operating profit	190	562	575	83	45	249	(179)	1,525	(32)	1,493
Interest income										173
Interest expense										(279)
Other income										767
Provision for income tax										(467)
Net income										1,687
Net income attributable to:										
Equity holders of Ayala Land, Inc.										1,288
Minority interests										399
										1,687
Other information										
Segment assets	10,611	47,813	19,451	9,732	1,659	9,694	(7,110)	91,850	(24,082)	67,768
Investment in associates and jointly controlled entities	4,234	0	1,968	130	1,777	0	1,296	9,405	0	9,405
Deferred tax assets	1	13	5	6	0	82	1,392	1,499	0	1,499
Total assets	14,846	47,826	21,424	9,868	3,436	9,776	(4,422)	102,754	(24,082)	78,672
Segment liabilities	1,490	11,185	5,005	531	101	3,856	12,511	34,679	(5,321)	29,358
Deferred tax liabilities	0	427	0	0	0	6	682	1,115	0	1,115
Total liabilities	1,490	11,612	5,005	531	101	3,862	13,193	35,794	(5,321)	30,473
Segment additions to property and equipment and investment properties										
	24	38	36	221	0	73	(60)	332	0	332
Depreciation and amortization	3	11	162	24	0	48	16	264	0	264

YTD-March 2006	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	24	2,397	956	298	47	1,017	0	4,739	0	4,739
Intersegment sales	47	48	70	0	0	778	0	943	(943)	0
Equity in net earnings of investees	2	0	19	0	35	0	0	56	0	56
Total revenue	73	2,445	1,045	298	82	1,795	0	5,738	(943)	4,795
Operating expenses	39	1,938	463	161	43	1,483	251	4,378	(907)	3,471
Operating profit	34	507	582	137	39	312	(251)	1,360	(36)	1,324
Interest income										105
Interest expense										(220)
Other income										556
Provision for income tax										(485)
Net income										1,280
Net income attributable to:										
Equity holders of Ayala Land, Inc.										1,175
Minority interests										105
										1,280
Other information										
Segment assets	8,966	43,854	16,962	9,861	1,688	8,220	3,214	92,765	(21,822)	70,943
Investment in associates and jointly controlled entities	3,643	0	1,559	0	1,706	0	0	6,908	0	6,908
Deferred tax assets	0	54	3	6	0	116	639	818	0	818
Total assets	12,609	43,908	18,524	9,867	3,394	8,336	3,853	100,491	(21,822)	78,669
Segment liabilities	2,081	15,427	4,152	670	193	3,128	9,825	35,476	0	35,476
Deferred tax liabilities	0	283	0	0	0	7	0	290	0	290
Total liabilities	2,081	15,710	4,152	670	193	3,135	9,825	35,766	0	35,766
Segment additions to property and equipment and investment properties										
	332	147	729	(1,089)	0	176	(1,083)	(788)	0	(788)
Depreciation and amortization	0	59	547	80	2	271	62	1,021	0	1,021

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

Results of Operations for the Three Months Ended March 31, 2007

Ayala Land's consolidated revenues in the first quarter of 2007 totaled Php 6.45 billion, 18% higher than the Php 5.46 billion posted in the same period last year.

Operating revenues grew by 11% to Php 5.28 billion as growth across all residential brands more than offset the decline in hotel revenues due to the sale of Oakwood Premier Ayala Center and lower corporate business revenues due to the full sell-out of Laguna Technopark and the sale of the PeopleSupport building late last year.

Complementing operating revenue growth were higher equity earnings from the company's investment in Bonifacio Global City due to strong lot sales. The Php 667 million gain on sale of shares in Makati Property Ventures in 1Q07, which is higher than the Php 506 million gain on sale of shares in Bridgebury Corporation in 1Q06, likewise contributed to the 18% growth in consolidated revenues.

Net operating income (NOI) margin per product held steady. However, overall NOI margin slightly dropped due to the shift in revenue mix given higher contribution of residential development. The change in revenue recognition policy, as well as the losses booked from the sale of One Roxas Triangle units, also pulled down the overall NOI margin. Meanwhile, overhead costs grew at par with topline growth.

Ayala Land ended the first quarter with a net income of Php 1.29 billion, 10% higher than the Php 1.17 billion posted last year. Excluding one-off items such as the after tax gains from the MPVI (Php 299 million in 1Q2007) and Bridgebury (Php 426 million in 1Q2006) transactions, net income for 1Q2007 would have been 32% higher year-on-year.

“During the first quarter, Ayala Land made significant strides in laying down the foundations for future growth. We have stepped up priming activities in our strategic landholdings and are on track with our lineup of residential project launches. Expansion of our shopping center and office rental portfolio is likewise proceeding at a steady pace. These and other investments we will be making for the rest of the 2007 put the company in a strong growth trajectory.” said Ayala Land President and Chief Executive Officer Jaime I. Ayala.

Business Segments

Residential Development accounted for the biggest share of total revenues at 46% or Php 2.9 billion. This was followed by the Support Businesses at 16% or Php 1.0 billion. Shopping Centers contributed 15% or Php 978 million while Corporate Business generated 4% or Php 232 million. Strategic Landbank Management accounted for 1% or Php 82 million, followed by Visayas-Mindanao with 1% or less than 1%. Interest and Other Income accounted for the balance of 18%.

Residential Development

Revenues of the Residential Development business reached Php 2.9 billion during the first three months of 2007, 25% more than the Php 2.3 billion reported during the same period in 2006.

Ayala Land Premier (ALP) and Community Innovations, Inc. (CII) reported double-digit growths.

ALP projects generated Php 1.5 billion in revenues, 29% more than in 1Q06. High-end units contributed Php 1.0 billion (+29% y-o-y), with 110 of the 158 booked units coming from the three towers of The Residences at Greenbelt. High-end lots, mostly coming from Ayala Westgrove Heights and Ayala Greenfield Estates, added Php 447 million (+26% y-o-y), as the launch of a new phase at Ayala Westgrove Heights with 110 units boosted take-up. Leisure project Anvaya Cove, still at an early stage of development, generated Php 78 million, up from only Php 49 million in 2006. The opening of the Pawikan Beach Bar & Grill (beach club) in April has perked up interest in the project.

CII's revenues increased 35% y-o-y to Php 850 million. A total of 166 units were booked during the period, 11% more than last year, with Two Serendra accounting for 71 units and The Columns at Legazpi Village for 53 units. The 128-unit Celadon Park high rise condominium in San Lazaro, launched in December 2006, accounted for 12 units. However, since there was no construction accomplishment as of end-March, this project did not contribute to revenues yet.

Avida reported revenues of Php 556 million, only 4% more than 1Q06's Php 534 million. Booked units dropped 12% y-o-y to 456 units. The minimal growth in revenues and drop in booked units can be traced to delayed bookings as a result of the change in revenue recognition policy implemented in 2Q06. Units taken-up during the period reached 560 units, 9% more than the 516 units taken-up in 1Q06. In response to healthy demand for affordable condominiums within Metro Manila, 752 units were put on the market with the launch of third towers in San Lazaro and New Manila. The fifth tower in Sucat, consisting of 264 units, was launched in April.

NOI for Residential Development grew 22% y-o-y in 1Q07 to Php 746 million. This was despite the slight decline of NOI margin to 25% from 26% due to losses booked from the sale of two units at One Roxas Triangle as well as the impact of the change in revenue recognition policy on Avida. Going forward, One Roxas Triangle should have minimal effect on earnings as only two of the 182 units remain unsold. This year's residential NOI margin would have been an improvement from 22% last year if 1Q06 is recasted using the new revenue recognition policy. Residential Development contributed 42% of total NOI.

Meanwhile, take-up of all residential projects (including partners' shares) reached 1,273 units, 9% more than in 1Q06. Sales value of these units amounted to Php 5.4 billion, 31% higher than 1Q06 level as more expensive units were sold.

Of 24 new projects and phases representing 6,800 units (excluding the three projects under Visayas-Mindanao) targeted for launch in 2007, five of these projects and phases, consisting of 1,136 units were launched in the first quarter.

Shopping Centers

ALI's Shopping Centers generated revenues of Php 978 million during the first three months of 2007. Average occupancy rate was at 91% even with the growth in gross leasable area (GLA) to 760,000 from 740,000 square meters at end-March 2006. Additional space was added by Shops at Serendra and Bonifacio High Street. Average rent stood at Php 1,004 per square meter per month, 6% higher than 1Q06.

NOI margin for Shopping Centers was maintained at 60%, with NOI posted at Php 587 million. This business line accounted for 33% of total NOI.

Construction of the 195,000-sqm TriNoma mall is almost complete with soft opening scheduled on May 16. As of end-March, 94% of the 72,000 square meters building leasable area (excluding area to be occupied by anchor tenant Landmark) was leased-out/committed. Phase 1 or 13,500 square meters of Greenbelt 5 is targeted to open within the fourth quarter, with an additional 19,500 square meters coming on stream in 3Q08. Site development for the mall in Angeles, Pampanga started in March and is expected to open in 1Q09.

Corporate Business

Corporate Business revenues for 1Q07 were 22% lower than in 1Q06 at Php 232 million. This was due to the absence of revenues from PeopleSupport Center (sold to the joint venture with Goldman Sachs and GMAC in 4Q06) as well as lot sales in Laguna Technopark (sold 1.5 hectares in 1Q06).

There was a one percentage point drop in the average occupancy rate for traditional office buildings to 98% as Avida relocated its offices in Makati Stock Exchange Building, bringing down MSE's occupancy rate to 92% from 100% in 1Q06. The decline in the average rent for traditional office buildings was a carry over of leases renewed at then prevailing market rates in late 2005. New lease renewals are at much higher rental rates.

During the quarter, the company sold a floor at Ayala Life-FGU Makati at Php 75,000 per square meter, higher than the Php 73,000 per square meter price for another floor sold in 1Q06.

NOI margin declined to 42% from 50%, largely due to the depreciation expense for Convergys starting 1Q07. Corporate Business' NOI of Php 97 million accounted for 5% of total.

Corporate Business has a number of projects lined up to increase office GLA to 500,000 square meters by 2010 from close to 102,000 square meters as of end-2006. In January, construction commenced on the 47,000 square meter Dela Rosa E-Services tower, targeted for completion by 4Q08. In March, work started on the first two of the ten BPO buildings at the UP North Science and Technology Park, targeted for completion by year-end, with a GLA of 27,000 square meters.

Other projects expected to start construction within the year are the BPO component of Glorietta 5 (16,000 square meters), the first of 10 buildings at the Canlubang with a total GLA of 86,000 square meters and the first of the two BPO buildings in San Lazaro with a total GLA of about 42,000 square meters.

Strategic Landbank Management

Revenues of Strategic Landbank Management Group (SLMG) increased 10% y-o-y to Php 82 million from the booking of override units and construction completion at The Columns at Ayala Avenue and Legazpi Village, Avida Towers Sucat, Sta. Catalina Village, Villa Sta. Cecilia and Sampaguita Village.

However, NOI dropped to Php 27 million from Php 35 million primarily due to the lower contribution from higher-margin The Columns at Ayala Avenue (construction completed). A total of 40 units were booked in 1Q07 versus 13 in 1Q06. SLMG's NOI during the three-month period contributed 2% to total NOI.

SLMG is implementing the masterplans for the Company's three main land parcels, Makati, Canlubang and Bonifacio Global City, to drive value. The initial phase of the Ayala Center masterplan involving the construction of a new carpark building to replace Park Square 2 (where

the luxury hotel complex of Kingdom Hotel Investments will be located) and Glorietta 5 have started. Meanwhile, construction of key infrastructure (spine road and access roads to residential projects) is ongoing in Canlubang, while work on the Visitors' Center and nature park/lake development will commence in 3Q07.

The build-up of Bonifacio Global City (BGC) continues. The retail projects continue to draw traffic with the formal launch of Bonifacio High Street in March, while turnover of residential units at One Serendra started in April. Fort Bonifacio Development Corporation (FBDC) turned over the HSBC building early this year, while a Memorandum of Understanding was signed in April between ALI, FBDC and the Philippine Stock Exchange for the development of an office building within BGC.

Including Ayala Land's Php 155 million equity earnings from its investments in Bonifacio Global City, accounted for under Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income, SLMG revenues contributed 4% to consolidated revenues.

Visayas-Mindanao

Visayas-Mindanao's revenues declined by half to Php 24 million in 1Q07 from Php 47 million during the same period last year as the number of booked units dropped to 6 from 43 a year ago. Take-up at Plantazionne Verdana Homes was high at 35 lots, but booking was delayed for the third phase that was launched in January. NOI contribution was minimal at Php 2 million, representing less than 1% of total NOI.

During the year, high-end residential subdivision projects will be launched in Cagayan de Oro and Iloilo, areas where ALI currently does not have existing projects. Revenues from these projects should boost Visayas-Mindanao's earnings in the coming years.

With the company's Php 53 million equity earnings from Cebu Holdings, Inc., Vis-Min revenues accounted for 1% of consolidated revenues.

Support Businesses

The Support Businesses, namely hotels, construction and property management generated revenues of Php 1.0 billion during the first three months of the year, equivalent to the same amount posted in 1Q06. This was despite the double-digit growths posted by construction and property management as the sale of Oakwood resulted to a 24% drop in hotel revenues. NOI from Support Businesses amounted to Php 328 million or 18% of total NOI.

Hotels' revenues settled at Php 367 million, down 24% from Php 484 million in 1Q06. Average occupancy rate was also lower at 81% compared to 87% in 1Q06. The decline in revenues and occupancy rate was due to the sale of Oakwood Premier Ayala Center. Meanwhile, average room rate slightly increased to Php 4,287 in 1Q07 from Php 4,266 in the same period last year given higher rates at Hotel InterContinental Manila following the completion of its refurbishment in 4Q06. Hotel NOI margin improved to 40% from 36%, although NOI declined by 16% y-o-y to Php 145 million following the decline in revenues.

Makati Development Corporation reported revenues of Php 1.3 billion (+19% y-o-y) from construction activities. However, NOI margin was lower at 8% from 12% last year as 1Q06 included additional income from projects that were substantially completed during that time and had cost savings. Net of inter-segment eliminations, construction revenues grew by 26% y-o-y to

Php 398 million but NOI dropped 15% to Php 72 million due to higher revenues from FBDC projects that carry lower margins versus other third party contracts.

Meanwhile, Ayala Property Management Corporation's revenues increased by 27% y-o-y to Php 217 million in 1Q07 with the contribution from Citibank and other contracts finalized after 1Q06. NOI margins dropped three percentage points to 13% as training costs were incurred in connection with the organizational build-up for new projects. Net of inter-segment eliminations, property management revenues reached Php 179 million (+27% y-o-y) while NOI settled at Php 88 million (+16% y-o-y).

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

Equity in Net Earnings from Investees grew to Php 233 million in 1Q07 from only Php 56 million in 1Q06. The growth is attributed to the jump in earnings from FBDC and Cebu Holdings, Inc. (CHI).

FBDC's contribution rose to Php 155 million from less than Php 2 million as 11 lots with an area of 25,540 square meters were sold at Bonifacio Global City, compared to three lots with an area of 2,948 square meters during the same period last year. The lot selling prices reflect the value appreciation driven by high activity levels in this emerging business district. Meanwhile, CHI's revenues grew by 89% to Php 488 million during the first quarter of the year with eight lots booked at Asiatown IT Park (versus one in 1Q06) and twice the number of residential lots booked at Amara (eight versus four in 1Q06). Rental rates at Ayala Center Cebu rose by 9% y-o-y, also contributing to higher revenues. As a result, Net Income settled at Php 112 million from Php 74 million during the same period last year.

Interest, Fees, Investment and Other Income for the first quarter of 2007 reached Php 939 million, 42% more than 1Q06's Php 660 million. In 2007, Php 667 million was generated from the sale of Oakwood while the balance came mainly from marketing fees for FBDC projects and project development management fees for TriNoma. Meantime, 2006 included proceeds from the sale of Bridgebury amounting to Php 506 million.

Expenses

For January to March 2007, total expenses amounted to Php 4.3 billion, 16% more than the Php 3.7 billion in 1Q06. Cost of real estate accounted for the bulk at Php 3.3 billion, 21% more than last year. The growth in real estate costs was faster than the 15% growth in real estate revenues given the bigger share of residential projects to 46% of total revenues in 1Q07 from only 43% during the same period in 2006.

Expenses for hotel operations dropped 29% y-o-y to Php 222 million as 1Q07 figures no longer included Oakwood. General and Administrative Expenses (GAE) rose by 14% y-o-y to Php 526 million, a slightly lower pace than the 15% increase in real estate revenues. Interest and other charges increased to Php 279 million from Php 220 million as end-March 2007. Borrowings stood at Php 12.8 billion versus Php 10.0 billion as of end-March 2006.

Project and Capital Expenditures

During the first quarter of 2007, ALI spent Php 3.1 billion for project and capital expenditures, 15% more than the Php 2.7 billion spent during the same period in 2006. The bulk or 63% was spent on Residential Development projects. Shopping Centers accounted for 28% of total with

construction work in full swing at TriNoma and Greenbelt 5. Corporate Business hardly spent for any capex in 1Q07 but should reach its Php 1 billion budget by year-end with the construction of the Dela Rosa E-Services Tower and the first two buildings of the UP North Science and Technology Park (broke ground in March). The Php 3.1 billion capex for 1Q07 represents 19% of the full year budget of Php 16.2 billion.

Financial Condition

ALI's balance sheet continues to remain healthy with Current Ratio at 1.70:1. Cash and Equivalents stood at Php 11.1 billion, Php 1.6 billion more than the end-2006 level mainly due to proceeds from Oakwood sale. Meanwhile, Total Borrowings declined by Php 363 million from December 2006 to to Php 12.8 billion, translating to a Debt-to-Equity Ratio of 0.30:1 and a Net Debt-to-Equity Ratio of 0.04:1.

PART II - OTHER INFORMATION

Item 3. 1Q 2007 Developments

- A. New project or investments in another line of business or corporation** None.
- B. Composition of Board of Directors (as of March 31, 2007)**
- | | |
|---------------------------------|-----------------|
| Fernando Zobel de Ayala | Chairman |
| Jaime Augusto Zobel de Ayala II | Vice Chairman |
| Jaime I. Ayala | President & CEO |
| Mercedita S. Nolledo | Corp. Secretary |
| Delfin L. Lazaro | Director |
| Leandro Y. Locsin, Jr. | Director |
| Aurelio R. Montinola III | Director |
| Corazon dela Paz | Director |
| Ramon R. del Rosario, Jr. | 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** 20% stock dividend
Declaration date: February 1, 2007
Record date: May 22, 2007
Payment date: June 18, 2007
- 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 March 31, 2007, stock options outstanding* are as follows:
- | | |
|-------|--------------------------|
| ESOP | 44,495,010 shares |
| ESOWN | <u>33,296,676</u> shares |
| | 77,791,686 shares |
- * outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued*
- 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 1Q 2007 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 None.

N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations None.

O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date None.

P. Other material events or transactions during the interim period

- Ayala Land increased its authorized capital stock from 12,000,000,000 to 20,000,000,000
- Ayala Land partnered with Kingdom Hotel Investments for the development of a hotel complex in Ayala Center
- Ayala Land signed terms of agreement with Manila Jockey Club for a BPO office project in the former San Lazaro racetrack

Q. Existence of material contingencies None.

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

- 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 2007, Ayala Land's consolidated budget for project and capital expenditures amount to P16.2 billion. About 55% is earmarked for residential developments, 24% for shopping centers, and the balance for corporate business, strategic landbank management, Visayas-Mindanao, support businesses, and corporate capex. This will be financed through a combination of internally-generated funds, borrowings, pre-selling and with proceeds from sale of receivables and non-core assets.
- For the first three months of 2007, consolidated project and capital expenditures amounted to P3.1 billion, about 19% of the P16.2 billion budget for the whole year. About 63% was spent for residential projects, 28% for shopping centers, and the balance for Visayas-Mindanao, strategic landbank management, corporate business, support businesses, and corporate capex.
- 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-March 2007</i>	<i>End-December 2006</i>
Current ratio ¹	1.70:1	1.64:1
Debt-to-equity ratio ²	0.30:1	0.32:1
Net debt-to-equity ratio ³	0.04:1	0.09:1
	<i>1Q 2007</i>	<i>1Q 2006</i>
Return on assets ⁴	1.6%	1.6%
Return on equity ⁵	3.1%	3.0%

¹ *Current assets / current liabilities*

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

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

⁴ *Net income / average total assets*

⁵ *Net income / average stockholders' 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: May 9, 2007