

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

- 1. February 10, 2009 Date of Report (Date of earliest event reported)
2. 152747 SEC Identification Number
3. 050-000-153-790 BIR Tax Identification Number
4. AYALA LAND, INC. Exact Name of registrant as specified in its charter
5. MAKATI CITY, PHILIPPINES Province, country or other jurisdiction of incorporation
6. (SEC Use Only) Industry Classification Code
7. 30/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City Address of principal office
1226 Postal code
8. (632) 848-5313 Registrant's telephone number, including area code
9. Not Applicable Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the SRC

As of December 31, 2008

Table with 3 columns: Title of Each Class, Number of Shares of Common Stock Outstanding, Amount of Debt Outstanding. Row 1: COMMON SHARES, 12,963,002,441, P 16.1 Billion

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

Re: 2008 Unaudited Financial Results

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

AYALA LAND, INC.

Registrant

Handwritten signature of Jaime E. Ysmael

JAIME E. YSMAEL

Senior Vice President, CFO, and Compliance Officer

Date: February 10, 2009



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

February 10, 2009

PHILIPPINE STOCK EXCHANGE

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

SECURITIES AND EXCHANGE COMMISSION

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

PHILIPPINE DEALING AND EXCHANGE CORP.

Attention: **Ms. Pilar Recto**
Issuer Compliance and Disclosures Department

Dear Sir / Madams,

We submit herewith Ayala Land's unaudited consolidated financial results for the year ended December 31, 2008.

Results of Operations

Ayala Land, Inc. ("ALI" or "the Company") posted a 10% growth in consolidated net income in 2008, reaching a record Php 4.8 billion from Php 4.4 billion the previous year, despite a challenging macroeconomic environment especially in the second half of 2008. This robust performance was achieved on the back of strong operating revenues and equity earnings from affiliates combined with effective cost control measures.

The Company recorded consolidated revenues of Php 33.7 billion, its highest ever and 31% more than the Php 25.7 billion achieved in 2007. Operating revenues increased by 34% to Php 30.6 billion with the bulk of the gains coming from the Residential, Strategic Landbank and Construction businesses. Shopping Centers and Corporate Business also contributed to consolidated revenue growth.

Equity in Net Earnings of Investees rose by 12% to Php 885 million following the favorable performance of the Company's corporate investment vehicles in Bonifacio Global City, Cebu Holdings, Inc. (CHI) and the shopping centers affiliates. Meanwhile, Interest, Investment and Other Income contracted by 18% to Php 2.2 billion as the gain from the sale of shares in three subsidiaries (namely Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc.) in March 2008 was lower compared with the gains from similar large transactions in 2007. These were the sale of shares in Makati Property Venture, Inc (MPVI) to the Ascott Residence Trust in March and the sale of preferred shares in KHI-ALI Manila, Inc. (KAMI) to Kingdom Manila B.V. in connection with the development of a luxury hotel complex within Ayala Center in December 2007.

Consolidated net operating income (NOI) reached Php 9.3 billion in 2008, 21% higher year-on-year. However, overall NOI margins declined by four percentage points to 30% following the drop in shopping center and construction margins. Shopping center margins were affected by the closure of

high-margin Glorietta 2 in connection with the ongoing Ayala Center redevelopment as well as the start-up operations at Greenbelt 5. Construction margins were put under pressure by the increase in the costs of construction materials, particularly in the third quarter. Meanwhile, Residential and Corporate Business both showed healthier margins compared with the previous year following the successful implementation of unit price increases and rental escalations, respectively.

Business Segments

The Residential Development business accounted for the bulk of revenues at Php 15.2 billion or 45% of total revenues. This was followed by the Support Businesses at 24%, or Php 8.0 billion, largely coming from the Construction business. Shopping Centers contributed 13% or Php 4.3 billion, while Strategic Landbank Management generated 5% or Php 1.8 billion. Corporate Business also accounted for 3% or Php 1.1 billion, followed by Visayas-Mindanao with Php 161 million or less than 1%. Interest and Other Income accounted for the balance of 9%.

Residential Development

Residential Development revenues amounted to Php 15.2 billion in 2008, 18% higher than the Php 12.8 billion posted in 2007. Alveo Land and Avida Land both registered double-digit growth rates of 33% and 38% year-on-year, respectively.

Ayala Land Premier (ALP) projects generated Php 7.7 billion in revenues, 5% higher than in 2007. High-end condominium units contributed the bulk (Php 4.2 billion) of ALP's revenues, but were down 6% year-on-year due to a slowdown in the high-end condominium market. Bookings of high-end condominium units in 2008 declined from 508 to 171, with sales from One Serendra East Tower (launched in March 2008) not enough to make up for the sell-out of the highly successful The Residences at Greenbelt (TRaG) project, which accounted for the bulk of units in 2007. Despite the soft market conditions, revenue growth was driven by advancing project completion rates last year (TRaG 2 at 75%; TRaG 3 at 38%; and One Serendra Sections D & E at 92%). High-end lots meanwhile contributed Php 2.7 billion (+34% year-on-year) with total booked sales of 371 lots, mostly from Abrio in NUVALI, Ayala Westgrove Heights and Ayala Greenfield Estates. Revenues of leisure project Anvaya Cove declined by 3% to Php 814 million as the higher completion rates in Anvaya Cove were offset by lower bookings, which fell to 188 from 433 the previous year due to a sell-out of available lot inventory.

Meanwhile the performance of the middle-income and affordable residential sectors remained robust. Alveo's revenues grew by 33% to Php 4.2 billion in 2008 from Php 3.0 billion the previous year. Although booked units grew by only 5% to 1,164 units, significant construction accomplishment secured the high revenue growth. New projects Treveia in NUVALI (265 lots), Senta in Legaspi Village, Makati (210 units), and Red Oak and The Aston at Two Serendra (total of 291 units) accounted for the bulk of bookings.

Avida's revenues rose by 38% to Php 3.6 billion in 2008 due to the increase in bookings to 1,957 units from 1,706 units in 2007, coupled with a steady progress of construction. New projects such as Avida Settings NUVALI, Avida Settings Cavite, Avida Towers San Lazaro (new towers) and Avida Towers Makati West, likewise drove growth of Avida unit bookings.

NOI for Residential Development contributed 47% of total NOI and grew 28% in 2008 to Php 4.4 billion. NOI margin likewise improved to 29% from 27% in 2007 with the impact of the effected

price increases across all three brands and effective cost management offsetting the higher average cost of construction materials.

Meanwhile, take-up of all residential projects in 2008 reached 4,803 units, 15% lower than the 5,644 units in 2007 with sales value also dropping by 12% to Php 18.4 billion. A total of 4,238 units were launched during the year, short of the original full-year target of 5,622 units (excluding residential projects in Visayas-Mindanao) by 24% and 18% less than what was brought into the market in 2007.

Shopping Centers

2008 revenues for Shopping Centers rose by 3% to Php 4.3 billion. Total gross leasable area (GLA) owned and operated by the Company grew 2% to 887,112 square meters as new mall openings in Greenbelt 5 Phase 2, Glorietta 5 and the The Terraces at Ayala Center Cebu were offset by the closure of Glorietta 2 and Park Square 2 for the start of the Ayala Center redevelopment. Average building rent for all malls meanwhile grew 4% to P1,100 per square meter per month, while average occupancy rates improved by 3% points to 92% with significant improvements in the occupancy of Trinoma and Market!Market!. Meanwhile flagship Ayala Center experienced flat rental rates and a decline in occupancy rates to 91% from 98% last year due to the start-up operations of Greenbelt 5 and Glorietta 5.

NOI for Shopping Centers posted a decline of 11% to Php 2.2 billion, while NOI margin was squeezed to 50% from 58% since the continued closure of high-margin Glorietta 2 and the start-up operations of Greenbelt 5 and Glorietta 5 were not fully offset by the improved performance of Market!Market!. Shopping Centers accounted for 23% of total NOI.

The construction of MarQueen Mall in Angeles, Pampanga is ongoing, with a target opening of May 2009. Planning activities for a retail-BPO development in Davao City is also currently underway.

Corporate Business

Revenues from Corporate Business amounted to Php 1.1 billion in 2008, higher by 10% from the previous year as rental escalations from both traditional headquarter-type (HQ) office buildings as well as business process outsourcing type buildings (BPO) kicked in. Average rental rates for HQ increased by 12% for the 2008, with BPO increasing by 7%. While there was no expansion for the HQ type office segment, BPO building GLA increased by 2.6 times to 93,487 square meters with the completion and start of operations of the first four buildings of the UP-Ayala Land TechnoHub. Average occupancy for BPO buildings dropped from 100% to 79% as some locators in the UP TechnoHub were still at various stages of fit-out. Occupancy rates for HQ-type buildings meanwhile improved by one percentage point to 98%.

NOI grew by 19% to Php 580 million from Php 489 million in 2007. NOI margin also improved by four percentage points to 53% following the increase in rental rates, decrease in direct operating expenses and the impact of a decline in LTI lot sales which delivered lower margins. Only 5.8 hectares were sold in LTI in 2008 compared to 9.3 hectares in 2007. Corporate Business' NOI accounted for 6% of total.

The other BPO building projects that were completed in 2008 but will not be operational until the first quarter of 2009 include two additional buildings in UP-Ayala Land TechnoHub, Glorietta 5, Solaris (along Dela Rosa Street in Makati), San Lazaro Vertex and Cebu eBloc. These BPO buildings will contribute another 121,781 square meters to total GLA. Also targeted for completion in 2009 are the

last four buildings in UP-Ayala Land TechnoHub with an incremental GLA of 40,000 square meters.

With the market slowdown that the industry is currently faced within the near-term, the Company is recalibrating the timing of future launches. The posture is to prepare expansion sites that have already been secured into “push-button” mode, which will enable the Company to respond quickly in the event of a market upswing.

Strategic Landbank Management

Revenues of Strategic Landbank Management rose by 281% to Php 1.8 billion in 2008 from Php 478 million in 2007. Significant growth was generated from its share in lot sales at NUVALI across all three residential brands. Booked “override” (i.e. its share in residential lot sales by virtue of being the land owner and joint development partner) units increased to 440 units in 2008 versus 108 in 2007, complemented by higher construction completion on override units at The Columns at Legazpi Village.

Accordingly, NOI surged by 325% to Php 632 million from Php 149 million, while NOI margin improved by four percentage points to 35%. SLMG’s NOI during the year contributed 7% to total NOI.

Equity in Net Earnings from Ayala Land’s effective stake in Fort Bonifacio Development Corporation (FBDC) grew by 31% to Php 576 million, driven by improved leasing activities and the increase in the prices of sold lots in Bonifacio Global City (BGC). A total of 18,214 square meters were sold in 2008 at an average price of Php 151,000 per square meter.

The Company remains committed to drive the growth in land values of its three strategic landbank areas. In Makati, the major redevelopment of the Ayala Center is already ongoing and is expected to be completed by 2012. Glorietta 5, consisting of both retail and BPO, was completed in December 2008. Meanwhile, preparation for the redevelopment of Glorietta 1 & 2 commenced in January 2009 to make way for the construction of more retail, BPO and hotel spaces. In Bonifacio Global City, the 29-storey BGC E-Services Building, a Company-managed project, was 53% complete while construction of St. Luke’s Hospital is nearing completion. In NUVALI, the Technopod building was completed in December 2008 and the retail areas are slated to open by April 2009.

Visayas-Mindanao

Visayas-Mindanao’s revenues dropped by 9% to Php 161 million in 2008 from Php 176 million the previous year as bookings fell to 117 lots from 135 lots in 2007. Most of the bookings came from newer phases of Plantazionne Verdana Homes and Ayala Northpoint (both in Bacolod). NOI contribution was a negative Php 26 million as the price increases implemented and the sales volumes were not enough to offset the high fixed costs in Ayala Northpoint Phase 2 and the slow take-up of Alegria Hills in Cagayan de Oro.

Support Business

The Support Businesses, namely Construction, Property Management and Hotels, generated revenues (net of inter-company eliminations) of Php 8.0 billion in 2008, growing by 93% year-on-year. Total NOI for the Support Businesses in aggregate also grew by 33% to Php 1.6 billion, with bulk of the

increase coming from the Construction business.

Makati Development Corporation (MDC), ALI's wholly-owned construction arm, reported revenues of Php 5.7 billion (net of inter-company eliminations), representing a 216% growth over the previous year on the back of significant progress in construction accomplishment on external projects. External projects accounted for 44% of the value of MDC's outstanding contracts. The construction business contributed Php 685 Million or 7% of the Company's NOI.

Ayala Property Management Corporation (APMC), a 100%-owned subsidiary, reported an almost flat growth in revenues of Php 1.0 billion (net of inter-company eliminations) in 2008 over the previous year's level. NOI margin, however, improved by 10 percentage points to 47%. Higher efficiencies achieved in facilities management led to significant savings in direct operating expenses. APMC's NOI amounted to Php 487 million or 5% of ALI's NOI.

The Hotels group, comprised of Hotel InterContinental Manila and Cebu City Marriott Hotel, generated Php 1.3 billion in 2008, slightly declining by 3% from the previous year. With their recent renovations, average room rates at Hotel InterContinental Manila and Cebu City Marriott Hotel were higher by 13% and 9% to Php 5,491 and Php 3,462, respectively. However, the fierce competition in the industry and renovation related disruptions saw occupancy rates drop from 82% to 78% for the InterCon and from 75% to 52% at the Marriott. The two hotel properties contributed Php 445 million or 5% to ALI's NOI.

NOI margins of the Support Businesses dropped to 20% from 29% largely because of lower margins on MDC's external contracts and the impact of higher construction material costs. The hotels exhibited slight margin improvements while the recovery in APMC's margins narrowed the drop in Support Businesses' total NOI margins.

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

Equity in Net Earnings from Investees grew by 12% to Php 885 million from Php 787 million, mostly coming from the combined contribution of ALI's corporate investment vehicles in Bonifacio Global City, and higher earnings of Cebu Holdings Inc. (CHI) and Alabang Commercial Corporation (ACC).

As mentioned in the Strategic Landbank discussion, the contribution of FBDC reached Php 576 million or 31% higher than the Php 439 million in 2007. Meanwhile, Equity Earnings from CHI and Cebu Property Ventures Development Corp. (CPVDC) were 45% higher at Php 201 million from Php 138 million in 2007. At Ayala Center Cebu, the average building rent was 5% higher year-on-year, while occupancy rate improved to 97% from 93%. Four lot sales, one in Cebu Business Park and three in Asiatown IT Park, with a total area of 24,202 square meters, further raised equity earnings.

For the shopping center business, ACC (corporate vehicle for Alabang Town Center) contributed Php 121 million in 2008, 10% more than the previous year as rental rates increased by 4%. TriNoma, which opened in May 2007, contributed another Php 14 million to equity earnings also due to higher rental and occupancy rates.

Interest, Fees, Investment and Other Income amounted to Php 2.2 billion in 2008 or a decline of 18% from Php 2.7 billion the previous year. The Php 761 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 March 2008 was lower compared with the two asset sales in 2007, namely the sale of shares in Makati Property Venture, Inc (MPVI) to the Ascott Residence Trust in

March 2007 and the sale of preferred shares in KHI-ALI Manila, Inc. (KAMI) to Kingdom Manila B.V. in December 2007.

Expenses

For 2008, total expenses amounted to Php 28.9 billion, 32% more than the Php 22.0 billion in 2007. Real Estate and Hotels Cost of Sales accounted for the bulk at Php 21.3 billion, 41% more than the previous year. Meanwhile, General and Administrative Expenses (GAE) rose by 21% to Php 3.3 billion, still a much lower pace than the 34% increase in real estate revenues. Interest, Taxes and Other Charges likewise went up by 7% to Php 4.4 billion largely because of higher taxes resulting from higher taxable income from subsidiaries. This is expected to moderate in 2009 with the lowering of the corporate income tax rate from 35% to 30%.

Project and Capital Expenditures

ALI spent a record Php 18.9 billion for project and capital expenditures in 2008, 22% more than the Php 15.4 billion spent in the previous year. Residential Development projects accounted for the bulk of capex at Php 7.9 billion. This was followed by Corporate Business which used 28% or Php 5.3 billion, while around 12% or Php 2.2 billion was used by Shopping Centers.

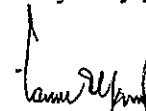
For 2009, ALI has earmarked a similarly high Php 17.4 billion for capital and project expenditures as activity levels for the completion of current projects for delivery will remain high. Bulk of the budget will go to Residential Development and Strategic Landbank with a 50% and 17% share, respectively. Shopping Centers will get 13% while Corporate Business is expected to have a 12% allocation.

Financial Condition

The Company's balance sheet continues to be healthy with a Current Ratio of 1.89: 1. As of end-2008, Cash and Cash Equivalents stood at Php 15.4 billion, 20% higher than the end-2007 level of Php 13.6 billion. Total Borrowings were at Php 16.8 billion from Php 10.1 billion as of December the previous year, translating to a Debt-to-Equity Ratio of 0.34: 1. ALI's cash position has been boosted by the successful issuance of Php 4.0 billion in 5-year retail bonds, and Php 1.4 billion in non-recourse sales of account receivables. The Company's debt profile has also been improved with average maturities lengthened to 4.7 years, and 83% of borrowings already at fixed-rates. ALI has already secured the bulk of its funding program for its capital expenditure commitments for 2009 (an additional Php 2.4 billion was drawn in January 2009) while additional cash and debt capacity is available for attractive investment opportunities that may arise.

For your information.

Very truly yours,



JAIME E. YSMAEL

Senior Vice President, Chief Finance Officer,
and Compliance Officer

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2008	2007
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	₱12,655,402	₱11,271,906
Short-term investments	1,008,923	2,035,606
Financial assets at fair value through profit or loss	1,778,720	318,018
Accounts and notes receivable - net	15,795,711	11,124,597
Real estate inventories	8,139,898	6,696,007
Other current assets	4,556,487	2,533,319
Total Current Assets	43,935,141	33,979,453
Noncurrent Assets		
Noncurrent accounts and notes receivable	1,780,191	3,475,306
Land and improvements	15,942,380	16,399,388
Investments in associates and jointly controlled entities	9,916,380	9,038,676
Available-for-sale financial assets	468,860	366,788
Investment properties - net	19,788,854	13,792,850
Property and equipment - net	6,641,496	4,015,226
Deferred tax assets - net	794,534	670,886
Other noncurrent assets	1,185,125	1,242,672
Total Noncurrent Assets	56,517,820	49,001,792
	₱100,452,961	₱82,981,245
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	₱20,528,970	₱15,758,816
Short-term debt	1,279,500	1,613,000
Income tax payable	89,084	167,124
Current portion of long-term debt	244,142	2,376,600
Other current liabilities	1,115,727	623,294
Total Current Liabilities	₱23,257,423	₱20,538,834

(Forward)

	December 31	
	2008 (Unaudited)	2007
Noncurrent Liabilities		
Long-term debt - net of current portion	P15,227,888	P6,149,874
Pension liabilities	224,128	175,837
Deferred tax liabilities - net	162,360	114,443
Deposits and other noncurrent liabilities	4,602,479	4,375,807
Deferred credits	1,935,916	880,679
Total Noncurrent Liabilities	22,152,771	11,696,640
Total Liabilities	45,410,194	32,235,474
Equity		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	18,357,905	18,202,647
Retained earnings	31,371,619	27,405,247
Stock options outstanding	106,281	95,901
Unrealized gain on available-for-sale financial assets	15,802	1,943
Treasury stock	(823,967)	(557)
	49,027,639	45,705,181
Minority interest in net assets of subsidiaries	6,015,128	5,040,590
	P100,452,961	P82,981,245

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2008 (Unaudited)	2007	2006
REVENUE			
Real estate	₱29,295,299	₱21,490,348	₱22,501,221
Hotel operations	1,321,485	1,356,906	1,091,102
Equity in net earnings of investees	884,727	787,209	306,233
Interest income	925,973	586,433	648,862
Other income	1,321,499	1,486,333	1,011,424
	33,748,983	25,707,229	25,558,842
COSTS AND EXPENSES			
Real estate	20,409,684	14,229,832	15,448,634
Hotel operations	876,493	913,030	721,524
General and administrative expenses	3,288,971	2,715,140	2,606,054
Interest expense and other financing charges	1,050,041	892,771	813,228
Other charges	675,837	903,320	280,570
	26,301,026	19,654,093	19,870,010
INCOME BEFORE INCOME TAX	7,447,957	6,053,136	5,688,832
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	2,154,636	1,745,325	1,483,473
Deferred	(89,499)	(189,071)	126,765
	2,065,137	1,556,254	1,610,238
INCOME BEFORE INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE	5,382,820	4,496,882	4,078,594
INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE - net of tax	-	598,666	155,258
NET INCOME	₱5,382,820	₱5,095,548	₱4,233,852
Net Income Attributable to:			
Equity holders of Ayala Land, Inc.	₱4,812,348	₱4,386,362	₱3,865,602
Minority interests	570,472	709,186	368,250
	₱5,382,820	₱5,095,548	₱4,233,852
Earnings Per Share			
Basic			
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.	-	₱0.31	₱0.29
Net income attributable to equity holders of Ayala Land, Inc.	₱0.37	₱0.34	₱0.30
Diluted			
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.	-	₱0.31	₱0.29
Net income attributable to equity holders of Ayala Land, Inc.	₱0.37	₱0.33	₱0.30

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Years Ended December 31		
	2008 (Unaudited)	2007	2006
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1 par value			
Issued			
Balance at beginning of year	₱13,002,821	₱10,809,675	₱10,794,539
Issuance of shares	622	2,776	1,071
Stock options exercised	-	17,972	14,065
Stock dividends	-	2,172,398	-
Balance at end of year	13,003,443	13,002,821	10,809,675
Subscribed			
Balance at beginning of year	31,811	34,587	1,116
Additions	7,899	-	34,542
Issuance of shares	(622)	(2,776)	(1,071)
Balance at end of year	39,088	31,811	34,587
Preferred Shares – ₱0.10 par value			
Balance at beginning of year	1,303,460	-	-
Issued during the year	-	1,303,460	-
Balance at end of year	1,303,460	1,303,460	-
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	3,994,945	3,863,431	3,593,157
Additions	185,026	131,514	270,274
Balance at end of year	4,179,971	3,994,945	3,863,431
SUBSCRIPTIONS RECEIVABLE			
Balance at beginning of year	(130,390)	(127,103)	(3,721)
Additions	(95,839)	(60,413)	(158,897)
Collections	58,172	57,126	35,515
Balance at end of year	(168,057)	(130,390)	(127,103)
TOTAL PAID-UP CAPITAL	18,357,905	18,202,647	14,580,590
RETAINED EARNINGS			
Appropriated for future expansion	6,000,000	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	21,405,247	19,973,445	17,950,660
Cash dividends			
Common stock - ₱0.06 per share in 2008, ₱0.06 per share in 2007, ₱0.17 per share in 2006	(779,862)	(782,162)	(1,842,817)
Preferred stock – ₱0.05 or 4.64% in 2008	(66,114)	-	-
Stock dividends	-	(2,172,398)	-
Net income	4,812,348	4,386,362	3,865,602
Balance at end of year	25,371,619	21,405,247	19,973,445
	₱31,371,619	₱27,405,247	₱25,973,445

(Forward)

	Years Ended December 31		
	2008 (Unaudited)	2007	2006
STOCK OPTIONS			
Balance at beginning of year	₱95,901	₱107,973	₱119,953
Cost of stock options	31,356	19,468	35,395
Stock options exercised	(20,976)	(31,540)	(47,375)
Balance at end of year	106,281	95,901	107,973
UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS			
Balance at beginning of year	1,943	(10,323)	(7,508)
Net changes during the year	13,859	12,266	(2,815)
Balance at end of year	15,802	1,943	(10,323)
TREASURY STOCK			
Balance at beginning of year	(557)	(557)	(557)
Acquisition of treasury stock	(823,410)	—	—
Balance at end of year	(823,967)	(557)	(557)
MINORITY INTERESTS			
Balance at beginning of year	5,040,590	6,586,585	6,891,539
Net income	570,472	709,186	368,250
Increase (decrease) in minority interests	524,919	(1,887,483)	(440,130)
Dividends paid to minority interests	(119,402)	(367,923)	(225,977)
Net unrealized gain (loss) recognized in equity	(1,451)	225	(7,097)
Balance at end of year	6,015,128	5,040,590	6,586,585
	₱55,042,768	₱50,745,771	₱47,237,713
Total Income and Expense Recognized for the Year			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	₱4,812,348	₱4,386,362	₱3,865,602
Minority interests	570,472	709,186	368,250
	5,382,820	5,095,548	4,233,852
Net unrealized gain (loss) recognized in equity:			
Equity holders of Ayala Land, Inc.	10,016	12,041	4,282
Minority interests	5,786	225	(7,097)
	15,802	12,266	(2,815)
	₱5,398,622	₱5,107,814	₱4,231,037

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2008 (Unaudited)	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱7,447,958	₱6,053,136	₱5,688,832
Adjustments for:			
Depreciation and amortization	1,133,258	1,310,457	1,067,280
Interest expense - net of amount capitalized	1,050,041	870,513	795,089
Other charges	516,312	302,996	230,947
Dividends received from investees	171,084	84,376	72,779
Cost of share-based payments	138,916	104,704	148,004
Equity in net earnings of investees	(884,940)	(787,209)	(306,233)
Gain on sale of investments	(761,815)	(1,003,976)	(608,865)
Interest income	(924,973)	(337,818)	(443,777)
Other income	(11,988)	(129,680)	(43,841)
Operating income before changes in working capital	7,873,853	6,467,499	6,600,215
Decrease (increase) in:			
Accounts and notes receivable – trade	(3,317,098)	(2,009,164)	54,925
Real estate inventories	(1,963,822)	2,207,429	(779,221)
Other current assets	(1,882,680)	(624,571)	(80,282)
Increase (decrease) in:			
Accounts and other payables	4,228,999	3,821,922	1,214,997
Pension liabilities	48,291	83,909	(17,117)
Other current liabilities	451,222	180,674	260,475
Cash generated from operations	5,438,765	10,127,698	7,253,992
Interest received	923,603	346,712	431,603
Income tax paid	(2,232,676)	(1,725,723)	(1,461,760)
Interest paid	(1,235,440)	(817,536)	(947,258)
Net cash provided by operating activities before cash items associated with noncurrent assets held for sale	2,894,252	7,931,151	5,276,577
Net cash provided by operating activities associated with noncurrent assets held for sale	–	598,666	291,672
Total cash provided by operating activities	2,894,252	8,529,817	5,568,249
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale of investments	1,633,405	1,389,974	460,000
Sale of available-for-sale financial assets	11,786	12,791	4,980
Disposal of property and equipment	–	–	263,236
Disposals of (additions to):			
Short term investments	(895,047)	2,596,048	(3,711,834)
Available-for-sale financial assets	(100,000)	–	(26,840)
Land and improvements	457,008	(548,392)	237,606
Investments in associates and jointly controlled entities	(1,219,750)	175,944	(1,528,059)
Investment properties	(1,658,077)	(699,180)	(343,689)
Property and equipment	(₱3,200,604)	(₱2,018,156)	(₱1,696,764)

(Forward)

	Years Ended December 31		
	2008		
	(Unaudited)	2007	2006
Decrease (increase) in:			
Accounts and notes receivable – nontrade	₱898,011	(₱360,202)	(₱297,439)
Other noncurrent assets	51,027	31,124	113,220
Net cash provided by (used in) investing activities before cash items associated with noncurrent assets held for sale	(4,022,241)	579,951	(6,525,583)
Net cash provided by (used in) investing activities associated with noncurrent assets held for sale, including cash balance	–	–	(361,691)
Total cash provided by (used in) investing activities	(4,022,241)	579,951	(6,887,274)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt	5,973,956	956,961	3,584,424
Payment of short and long-term debt	(2,710,100)	(3,654,899)	(1,017,342)
Increase (decrease) in:			
Deposits and other noncurrent liabilities	992,790	774,807	614,393
Minority interest in consolidated subsidiaries	2,192	(821,535)	(645,617)
Proceeds from issuance of preferred shares	–	1,303,460	–
Proceeds from capital stock subscriptions	26,721	57,126	35,515
Acquisition of treasury shares	(823,410)		
Dividends paid to minority	(119,402)	(367,923)	(225,977)
Dividends paid to equity holders of Ayala Land, Inc.	(831,262)	(716,450)	(1,841,355)
Net cash provided by (used in) financing activities before cash items associated with noncurrent assets held for sale	2,511,485	(2,468,453)	504,041
Net cash used in financing activities associated with noncurrent assets held for sale	–	–	(187,120)
Total cash provided by (used in) financing activities	2,511,485	(2,468,453)	316,921
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,383,496	6,641,315	(1,002,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,271,906	4,630,591	5,632,695
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱12,655,402	₱11,271,906	₱4,630,591

See accompanying Notes to Consolidated Financial Statements.