

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)

September 30, 2006

(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 **September 30, 2006**
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 September 30, 2006

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	10,843,218,447

Amount of Debt Outstanding
P13.5 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 September 30, 2006 and December 31, 2005
(in million pesos)

	Unaudited Sept. 2006	Audited Dec. 2005
ASSETS		
Current Assets		
Cash and cash equivalent	10,949	6,756
Accounts and notes receivable - net	10,431	9,153
Real estate inventories	7,253	6,754
Other current assets	1,685	1,342
Total Current Assets	30,318	24,005
Noncurrent Assets		
Non-current accounts and notes receivable	8,793	8,253
Land and improvements	17,101	17,578
Investments in associates and jointly controlled entities - net	7,278	6,812
Available-for-sale financial assets	486	443
Investment properties - net	13,318	13,209
Property and equipment - net	4,931	5,073
Deferred tax assets - net	695	767
Other noncurrent assets	1,276	1,280
Total Noncurrent Assets	53,878	53,415
	84,196	77,420
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	9,482	7,891
Short-term debt	1,869	1,427
Income tax payable	135	112
Current portion of:		
Long-term debt	3,739	812
Estimated liability for land and property development	2,195	3,877
Unrealized gain on real estate sales	1,880	1,112
Other current liabilities	505	182
Total Current Liabilities	19,805	15,413
Noncurrent Liabilities		
Long-term debt - net of current portion	7,860	8,484
Pension liabilities	61	110
Deferred tax liabilities	271	273
Noncurrent liabilities and deposits	3,819	3,845
Unrealized gain on real estate sales - net of current portion	885	1,732
Estimated liability for land and property development - net of current portion	3,943	2,224
Total Noncurrent Liabilities	16,839	16,668
Total Liabilities	36,644	32,081
Equity		
Equity Attributable to Equity Holders of Ayala Land, Inc.		
Paid-up Capital	14,480	14,385
Stock Options Outstanding	102	120
Unrealized Gain/(Loss) on Available-for-sale Financial Assets	10	(8)
Retained Earnings	26,342	23,951
Treasury Stock	(1)	(1)
	40,933	38,447
Minority interests	6,619	6,892
	47,552	45,339
	84,196	77,420



Ayala Land, Inc.
Consolidated Statements of Income
For the Three Months and Nine Months Ended September 30, 2006 and September 30, 2005
(in million pesos)

	2006 Unaudited		2005 Unaudited (as restated)	
	July 1 to Sept 30	January 1 to Sept 30	July 1 to Sept 30	January 1 to Sept 30
REVENUE				
Real estate	5,273	16,197	4,037	11,921
Hotel operations	425	1,302	429	1,275
Equity in net earnings of investees, interest, fees, investment and other income	263	1,230	200	3,227
	<u>5,961</u>	<u>18,729</u>	<u>4,666</u>	<u>16,423</u>
COSTS AND EXPENSES				
Real estate	3,626	11,210	2,639	7,703
Hotel operations	291	854	271	810
General and administrative expenses	441	1,615	366	1,463
Interest and other charges	297	715	354	2,793
Provision for income tax	425	1,390	159	792
	<u>5,080</u>	<u>15,784</u>	<u>3,789</u>	<u>13,561</u>
NET INCOME	<u>881</u>	<u>2,945</u>	<u>877</u>	<u>2,862</u>
Net Income(Loss) Attributable to :				
Equity holders of Ayala Land, Inc.	820	2,716	763	2,591
Minority interests	61	229	114	271
	<u>881</u>	<u>2,945</u>	<u>877</u>	<u>2,862</u>
Earnings per Share				
Basic *	0.08	0.25	0.07	0.24
Diluted **	0.08	0.25	0.07	0.24

* Based on 10,817,600,675 and 10,786,135,632 weighted average number of shares as of September 30, 2006 and September 30, 2005, respectively

** Based on 10,852,578,954 and 10,824,677,780 weighted average number of shares as of September 30, 2006 and September 30, 2005, respectively



Ayala Land, Inc.
Consolidated Statement of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 2006 and September 30, 2005
(in million pesos)

	2006 Unaudited Jan 1 - Sept 30	2005 Unaudited Jan 1 - Sept 30
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.		
CAPITAL STOCK		
Issued		
Balance at beginning of year	10,795	10,774
Issuance of shares	0	0
Stock options exercised	48	14
Balance at end of year	10,843	10,788
Subscribed		
Balance at beginning of year	1	1
Issuance of shares	0	0
Stock options exercised	0	0
Balance at end of year	1	1
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year, as previously reported	3,593	3,550
Effect of change in accounting for stock options	0	0
Balance at beginning of year, as restated	3,593	3,550
Stock options exercised	327	12
Balance at end of year	3,920	3,562
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(4)	(4)
Subscriptions	(282)	0
Collections	2	0
Balance at end of year	(284)	(4)
TOTAL PAID-UP CAPITAL	14,480	14,347
STOCK OPTIONS		
Balance at beginning of year	120	115
Cost of stock options	28	68
Stock options exercised	(46)	(27)
Balance at end of year	102	156
TREASURY STOCK		
	(1)	(1)
RETAINED EARNINGS		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year, as previously reported	17,951	17,685
Effect of change in accounting policies	0	0
Balance at beginning of year, as restated	17,951	17,685
Cumulative effect of change in accounting policy for financial instruments	0	0
Balance at beginning of year, as adjusted	17,951	17,685
Cash dividends	(325)	(2,913)
Net income	2,716	2,591
Balance at end of year	20,342	17,363
	26,342	23,363
UNREALIZED GAIN/(LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		
	10	0
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.	40,933	37,865
MINORITY INTERESTS		
Balance at beginning of year, as adjusted	6,892	6,675
Net income (loss)	229	271
Increase (decrease) in minority interests	(395)	(95)
Loss on redemption of preferred shares	(26)	0
Dividends paid to minority interests	(81)	(91)
Balance at end of year	6,619	6,760
	47,552	44,625



Ayala Land, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2006 and September 30, 2005
(in million pesos)

	2006 Unaudited	2005 Unaudited
	Jan 1 - Sept 30	Jan 1 - Sept 30
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	4,335	3,654
Adjustments for:		
Depreciation and amortization	898	745
Interest expense - net of amount capitalized	26	235
Unrealized gain on available-for-sale financial assets	10	-
Prior years adjustment on retained earnings	-	(3)
Cost of share-based payments	-	(56)
Unfunded retirement obligations	-	(330)
Goodwill recognition on FBDC account	-	717
Accretion of interest on trade receivables	-	(151)
Provision for possible losses	-	1,644
Gain on sale of investments	(483)	(2,590)
Interest income	(378)	(356)
Equity in net earnings of investees	(154)	(121)
Operating income before changes in working capital	4,254	3,388
Decrease (increase) in :		
Accounts and notes receivable - trade	(1,022)	(1,543)
Real estate inventories	(499)	(1,331)
Other current assets	4	(595)
Increase (decrease) in :		
Accounts and other payables	3,522	1,830
Pension liabilities	(49)	-
Other current liabilities	323	829
Estimated liability for land and property development	38	(128)
Cash generated from operations	6,571	2,450
Interest received	392	300
Income tax paid	(1,472)	(294)
Interest paid - net of amount capitalized	(761)	(1,021)
Net cash provided by (used in) operating activities	4,730	1,435
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	615	3,527
Decrease (increase) in:		
Land and improvements	478	288
Investments	(1,114)	(1,636)
Property and equipment	(230)	(332)
Decrease (increase) in:		
Accounts and notes receivable - non trade	(1,157)	190
Other assets	67	(975)
Net cash provided by (used in) investing activities	(1,341)	1,062
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	3,369	377
Payment of long-term debt	(624)	(2,890)
Increase (decrease) in :		
Noncurrent liabilities and deposits	(874)	3,148
Minority interest in consolidated subsidiaries	(476)	(192)
Proceeds from capital stock subscriptions	84	152
Loss on redemption of preferred shares	(26)	-
Dividends paid to minority	-	(91)
Dividends paid to equity holders of Ayala Land, Inc.	(649)	(1,404)
Net cash provided by (used in) financing activities	804	(900)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,193	1,597
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,756	6,360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,949	7,957

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 nine months ended September 30, 2006 are the same as those applied in the preceding calendar year.

There was no new accounting standard adopted in the first nine months of 2006 but the Company will adopt Amendments to PAS 19 (*Employee Benefits: Actuarial Gains and Losses, Group Plan and Disclosures*) within the 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 Land International Sales, Inc.	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc.	100
Crans Montana Property Holdings Corp.	100
Crimson Field Enterprises, Inc.	100
Avida Land Corp. and subsidiaries (Avida)	100
Regent Time International, Limited	100
Red Creek Properties, Inc.	100
Aurora Properties, Inc. (API)	70
Vesta Property Holdings, Inc.	70
Station Square East Commercial Corporation (SSECC)	69
Serendra, Inc.	67
Ceci Realty, Inc.	62
Laguna Technopark, Inc.	61
ALI Property Partners Holdings Corp.	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 September 30, 2006; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	4,583	2,694	8,004	369	15,650
Non-Trade Receivables	2,702	83	789	0	3,574
Total	7,285	2,777	8,793	369	19,224

Aging of Payables (as of September 30, 2006; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	3,108	1,798	803	0	5,709
Non-Trade Payables	3,794	1,422	3,348	0	8,564
Total	6,902	3,220	4,151	0	14,273

4. Short-Term and Long-Term Debt

Short-Term Debt (as of September 30, 2006; in Million Pesos)

<u>Borrower</u>	<u>Amount</u>
AGDC	293.0
API	44.0
Avida	940.0
LAI	180.0
SSECC	412.0
Total	1,869.0

Long-Term Debt (as of September 30, 2006; 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 **	3,041.7		5,610.9		8,652.6	
AGDC	51.7		25.8		77.5	
Avida	243.6		137.8		381.4	
CIHC	47.9		53.8		101.7	
EHI	16.0		64.0		80.0	
LAI	-		200.0		200.0	
SSECC	195.0		1,625.3		1,820.3	
MPVI	143.1	2.9	142.1	2.8	285.2	5.7
Total	3,738.9	2.9	7,859.7	2.8	11,598.6	5.7

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

** *Including bonds and FXCNs*

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans –
January – September 2006 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	3,031.8	issuance of bonds and FXCNs
AGDC	672.0	renewal of short-term loans and new short-term loan
API	116.0	renewal of short-term loans
Avida	4,425.0	renewal of short-term loans and new short-term loans
EHI	80.0	new long-term loans
LAI	1,820.5	renewal of short-term loans and new short-term loans
SSECC	<u>1,667.0</u>	renewal of short-term loans and new short-term loans
Total	<u>11,812.3</u>	

Repayments of Debt and Equity Securities –
January – September 2006 2005 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	496.0	Amortization on long-term loan, prepayment of FXCNs and retirement of bonds
AGDC	657.8	payment of matured short-term loans and amortization on long-term loans
API	116.0	payment of matured short-term loans
Avida	4,557.7	payment of matured short-term loans and amortization on long-term loans
CIHCI	36.0	amortization on long-term loans
LAI	1,680.5	payment of matured short-term loans
MPVI	145.0	amortization on US\$ loan
SSECC	<u>1,360.0</u>	amortization on long-term loans and payment of matured short-term loans
Total	<u>9,049.0</u>	

5. Commercial Paper Issuances and Outstanding Balance
(for the quarter ended September 30, 2006)

None.

6. Accounts and Other Payables

The accounts and other payables as of September 30, 2006 is broken down as follows:

	(million)
Accounts payable	P 5,689
Accrued expenses	2,624
Taxes payable	1,123
Dividends payable	3
Retentions payable	43
Total	<u><u>P 9,482</u></u>

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

Income Statement items – 9M 2006 versus 9M 2005

36% increase in real estate revenues

Primarily due to higher revenues from residential developments, shopping centers, office rentals and sales, as well as construction business.

62% decline in equity in net earnings of investees, interest, fees, investment and other income

Largely due to the gain on sale of Astoria Investment Ventures, Inc. (AIVI) preferred shares in 1Q2005.

46% increase in real estate costs and expenses

Mainly due to higher real estate revenues.

5% increase in hotel operations costs and expenses

Largely due to higher revenues from hotel operations.

10% increase in general and administrative expenses

Primarily due to higher payroll costs.

74% decrease in interest and other charges

Principally due to the provisions for decline in value of assets intended to be sold and write-off of deferred charges in 9M2005.

76% increase in provision for income tax

Mainly due to capital gains in AIVI transaction subjected to final tax at lower rate in 1Q2005 and higher corporate income tax rate in 9M2006.

15% decline in net income attributable to minority interests

Largely due to higher loss of Roxas Land Corporation, partly off set by increased income of Serendra, Inc. and Ayala Hotels, Inc.

Balance Sheet items – September 30, 2006 versus End-2005

62% increase in cash and cash equivalent

Mainly due to issuance of P3B FXCNs and increased collections from customers.

14% increase in accounts and notes receivable

Primarily due to receivables from Mercator Securities for the sale of Bridgebury Realty Corporation shares, as well as additional sales at new and existing projects.

7% increase in real estate inventories

Primarily due to construction accomplishment at residential building projects and continued development of residential subdivision projects.

26% increase in other current assets

Mainly due to advances on land, advance lease payment for the site of Market! Market! and higher prepaid real property tax and input VAT.

7% 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 additional investment in an affiliate and increase in earnings of Cebu Holdings, Inc. and Alabang Commercial Corporation.

10% increase in available-for-sale financial assets

Primarily due to revaluation of club shares owned by Ayala Hotels, Inc. and increase in Avida's Meralco shares.

9% decline in deferred tax assets

Largely due to shift from installment method to percentage of completion method to standardize revenue recognition policies across all residential business units.

20% increase in accounts and other payables

Primarily due to higher payables to contractors and suppliers for various projects and higher VAT and expanded withholding tax payable.

31% increase in short-term debt

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

21% increase in income tax payable

Mainly due to increase in corporate income tax rate to 35%, and higher income that is subject to corporate income tax.

360% increase in current portion of long-term debt
Primarily due to reclass of the P3.0B bonds maturing on April 2007.

43% decline in current portion of estimated liability for land and property development
Primarily due to construction accomplishment at various projects.

69% increase in current portion of unrealized gain on real estate sales
Primarily due to new sales at existing and new projects.

177% increase in other current liabilities
Mainly due to higher deposits from real estate sales.

7% decline in long-term debt (net of current portion)
Largely due to payment of long-term loans and reclass of P3.0B bonds to current portion, partially off set by the P3.0B issuance of long-term FXCNs.

45% decline in pension liabilities
Mainly due to higher 2005 base following set up in subsidiaries of transitional liability representing benefit obligation and funding of retirement fund deficiency at parent company level.

49% decrease in non-current portion of unrealized gain on real estate sales
Primarily due to change in revenue recognition policy from installment method to percentage of completion method.

77% increase in non-current portion of estimated liability for land and property development
Mainly due to new sales at existing and new projects.

15% decline in stock options outstanding
Primarily due to additional options exercised.

225% increase in unrealized gain on available-for-sale financial assets
Primarily due to revaluation of club shares owned by Ayala Hotels, Inc.

10% increase in retained earnings
Mainly due to income generated in 9M2006.

8. Segment information

YTD-September 2006

(in million pesos)

	Residential Development	Shopping Centers	Corporate Business	Strategic Landbank Mt.	Vismin	Support Businesses	Corporate	Total	Consolidation adjustment	TOTAL
Revenues	10,274	3,252	695	328	218	5,434	842	21,043	(2,314)	18,729
Operating expenses	8,302	962	275	195	130	4,343	733	14,940	(2,160)	12,780
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,972	2,290	420	133	88	1,091	109	6,103	(154)	5,949
Depreciation and amortization	40	501	96	0	1	203	57	898	0	898
EBIT	1,932	1,789	324	133	87	888	52	5,205	(154)	5,051
Segment assets	54,574	19,721	9,939	5,992	3,419	8,751	3,131	105,527	(22,026)	83,501
Deferred tax assets	111	2	6	0	0	130	1,156	1,405	(710)	695
Total assets	54,685	19,723	9,945	5,992	3,419	8,881	4,287	106,932	(22,736)	84,196
Segment additions to property and equipment	34	444	5	0	0	262	118	863	0	863
Segment liabilities	19,468	4,575	625	940	171	3,339	11,036	40,154	(3,781)	36,373
Deferred tax liabilities	286	0	0	0	0	6	688	980	(709)	271
Total liabilities	19,754	4,575	625	940	171	3,345	11,724	41,134	(4,490)	36,644

YTD-September 2005

(in million pesos)

	Residential Development	Shopping Centers	Corporate Business	Strategic Landbank Mt.	Vismin	Support Businesses	Corporate	Total	Consolidation adjustment	TOTAL
Revenues	6,678	2,982	435	401	156	5,544	3,000	19,196	(2,772)	16,424
Operating expenses	5,232	1,034	193	191	128	4,523	617	11,918	(2,686)	9,232
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,446	1,948	242	210	28	1,021	2,383	7,278	(86)	7,192
Depreciation and amortization	42	400	49	0	2	206	46	745	0	745
EBIT	1,404	1,548	193	210	26	815	2,337	6,533		6,447
Segment assets	46,410	17,065	10,273	8,359	3,156	8,034	6,166	99,463	(22,865)	76,598
Deferred tax assets	61	1	0	26	0	98	946	1,132	0	1,132
Total assets	46,471	17,066	10,273	8,385	3,156	8,132	7,112	100,595	(22,865)	77,730
Segment additions to property and equipment	18	188	10	0	0	58	56	330	0	330
Segment liabilities	13,875	3,889	1,655	648	263	2,934	12,986	36,250	(3,951)	32,299
Deferred tax liabilities	272	0	0	46	0	6	616	940	0	940
Total liabilities	14,147	3,889	1,655	694	263	2,940	13,602	37,190	(3,951)	33,239

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

Results of Operations for the Nine Months Ended September 30, 2006

Ayala Land, Inc.'s (ALI) revenues for the first nine months of 2006 amounted to Php18.73 billion, a 14% increase over the Php 16.42 billion reported for the same period in 2005. The Company's five core businesses and three support businesses contributed revenues of Php17.50 billion, 33% higher than last year. Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income accounted for Php 1.23 billion, 62% lower than the 9M05's contribution which included Php 2.59 billion gain from the sale of preferred redeemable shares in Astoria Investment Ventures, Inc. (AIVI), the holding company for the MRT-3 rail project. Net of AIVI sales proceeds, ALI's total revenues actually grew 35% year-on-year (y-o-y).

Net Income Attributable to Shareholders of ALI for the period January to September 2006 stood at Php 2.72 billion, 5% more than the Php 2.59 billion reported during the same period last year. Excluding the Php 460 million net gain booked last year from the AIVI transaction (after provisions and taxes), net income for 9M06 would actually be 27% higher than last year's Php 2.13 billion.

"The underlying growth in our operating income remains strong on the back of increased leasing activity and strong sales volume. Given the leasing and development projects in our pipeline, we are confident of sustaining our growth momentum. We expect earnings to accelerate in the medium-term as new gross leasable area becomes available and development revenues are recognized due to construction completion." said Ayala Land President and Chief Executive Officer Jaime I. Ayala.

Business Segments

Residential Development contributed Php 10.08 billion or 54% of total revenues. Shopping Centers accounted for Php 2.89 billion or 15% of total, followed by Corporate Business with Php 655 million or 3%. Strategic Landbank Management generated Php 326 million or 2% of total while Visayas-Mindanao added Php 130 million or 1% of total. The Support Businesses, consisting of Hotels, Construction, Property Management and Waterworks, contributed 18% or Php 3.42 billion.

The balance of Php 1.23 billion or 7% of revenues was accounted for by Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income.

Residential Development

Revenue growth of the Company's core and support business lines was driven by Residential Development, which increased revenues by 54% or Php 3.53 billion, mostly coming from Ayala Land Premier and Community Innovations, Inc.

Ayala Land Premier generated revenues of Php 6.48 billion, up 88% from previous year. Of this amount, Php 4.00 billion was from sale of 298 condominium units, 65% more than the same nine-month period in 2005. Nearly half or 145 of booked units were from the 1,003-unit The Residences at Greenbelt, which had cumulative take-up of 63%. Twenty three percent of 371 units at the 3rd tower, Manila Tower, was taken up since launch in June 2006. One Serendra in Bonifacio Global City and One Roxas Triangle accounted for 111 and 18 booked units, respectively.

Revenues from sale of 342 lots, including 258 from Ayala Westgrove Heights and Ayala Greenfield Estate, amounted to Php 2.04 billion. The balance of Php 437 million was contributed by Anvaya Cove, representing booked sales of 274 beach club shares, 39 lots and six villas.

Community Innovations' booked revenues increased by 60% to Php 2.59 billion. Booked units reached 619 units, 41% higher than last year, mostly from condominium projects. Total booked sales from The Columns at Ayala Avenue and The Columns at Legazpi Village was 287 units, with Two Serendra accounting for an additional 122 booked units. Sales at Verdana Homes Mamplasan and Celadon Residences accounted for the balance.

Despite continued strong sales as seen in a 74% growth in sales take-up, Avida Land's revenues of Php 1.01 billion was 32% lower y-o-y due to the standardization of revenue recognition policy in 2Q06. As a result of deferral of revenue recognition for 662 units, booked units stood at 572 units, 52% lower than last year's 1,192. Under the previous revenue recognition policy, Avida Land would have booked 1,234 units or a 4% growth y-o-y.

Net Operating Income (NOI) from Residential Development reached Php 2.25 billion, 29% higher than the Php 1.75 million realized in 9M05, and accounting for 41% of total NOI in 9M06. NOI margin dropped to 22% during the period, from 27%, largely due to the losses booked for the One Roxas Triangle units sold in 2Q06.

Shopping Centers

Shopping Centers' revenues were 10% higher y-o-y to Php 2.89 billion due to improved occupancies across all malls, higher average rent, slight growth in total mall sales and increased leasable area (GLA) to 746,000 square meters from 713,000 square meters as of September 2005.

Average occupancy of all malls was at 91%, up from 90%. Ayala Center's (Glorietta and Greenbelt) occupancy rate improved to 97% from 95%, while Market! Market! occupancy rate improved to 73% from 72% last year. As of end-September 2006, the mall was 87% leased out/committed. Excluding Market! Market!, average occupancy for ALI's malls is 98%.

The Shops at Serendra soft opened in July, adding 6,400 square meters to total GLA. This latest addition to ALI's retail business, featuring unique restaurants and stores, is now 81% leased out/committed, with about 25 establishments already opened.

With NOI margin maintained at 59%, NOI grew at almost the same pace as revenues, reaching Php 1.70 billion for the first three quarters of 2006. Shopping Centers contributed 31% of ALI's total NOI.

Construction of the 195,000-square meter Tri Noma mall in Quezon City, scheduled to open in 2Q07, is now 68% completed. The initial phase of Greenbelt 5, consisting of 13,600 square meters, will start operating in the fourth quarter of 2007. In Angeles, Pampanga, construction of a 70,000-square meter mall will commence before year-end.

Corporate Business

Corporate Business' revenues grew by 62% y-o-y to Php 655 million during the first nine months of the year from the sale of 1,407 square meters of office space at Ayala Life-FGU Makati which generated Php 107 million. Improved occupancy rate across all traditional office buildings (99% from 92%) and contribution from the three BPO buildings (PeopleSupport, Convergys and InfoNXX) accounted for the balance of revenue growth.

Higher occupancy rate offset the 5% decline in average rent for traditional buildings due to the lease renewals at rental rates more aligned with market. Having nearly completed renewal of leases which had been locked in at significant premium to market, we expect rents to stabilize, if not increase, going forward.

NOI margin for Corporate Business was steady at 50%. NOI grew by 60% y-o-y to Php 326 million and accounted for 6% of total NOI

Looking ahead, significant growth of this business line is assured by two major projects. In October, the Company signed a 25-year lease agreement with the University of the Philippines for the development of the 38-hectare UP North Science and Technology Park, including the construction of ten office buildings with a total GLA of 110,000 square meters. The first two office buildings will commence construction in the first half of 2007 and will be completed within the year.

In Canlubang, a 30-hectare BPO campus will be launched during the second half of 2007.

Strategic Landbank Management

Revenues of Strategic Landbank Management were 13% lower than 9M05 at Php 326 million. This was due to lower bookings of override units at The Columns at Ayala Avenue, as well as affordable residential projects Avida Towers Sucat and Sampaguita Village given the change in Avida Land's booking policy. Revenue contribution of 46 booked units at The Columns at Legazpi Village was negligible due to construction accomplishment of only 1%.

At Bonifacio Global City, development of the 40-meter wide, 500-meter long retail/office promenade, a key feature of the City Center masterplan unveiled in May, is nearing completion and will open before year end. Currently, 86% of the 14,000-sqm retail leasable area and 82% of the 5,300 square meters of office space are already committed.

Strategic Landbank Management contributed Php 131 million or 2% of total NOI, down 29% y-o-y due to lower revenues and costs incurred for the re-masterplanning of Ayala Center.

Visayas-Mindanao

Visayas-Mindanao's revenues reached Php 130 million, 19% more than the Php 110 million generated during 9M05, derived primarily from the sale of Ayala Northpoint and Plantazionne Verdana Homes in Talisay, Negros Occidental. A total of 119 units were booked from these projects, 28 more than the number of units booked during the same period last year.

NOI margins inched up to 7% from 6% in 2005. NOI of this business segment stood at Php 9 million and is less than 1% of ALI's total NOI.

New residential and shopping center projects to be launched in the next two years elsewhere in the region will significantly enhance revenues.

Support Businesses

After the elimination of inter-company transactions, the Support Businesses contributed Php 3.42 billion to ALI's revenues, led by Construction.

Makati Development Corporation, ALI's wholly-owned construction company, reported a 16% growth in revenues to Php 1.41 billion (net of inter-company eliminations). NOI contribution was 7% higher y-o-y to Php 256 million.

Revenues from the Company's three hotel properties, namely Hotel Intercontinental Manila and Oakwood Premier Ayala Center in Makati, and Cebu City Marriott Hotel amounted to Php 1.30 billion, a mere 2% growth y-o-y due to the ongoing refurbishment of the Hotel InterContinental Manila. The refurbishment works, started in April and for completion by year-end, also brought average occupancy rate down to 77% from 81%. However, the reduced occupancy was partly offset by 10% increase in average room rates to about Php 4,300 per night. Hotel NOI was down by 4% to Php 448 million mainly due to fixed costs that Hotel InterContinental Manila continued to incur despite closure of some rooms and facilities during the refurbishment.

Ayala Property Management Corporation, ALI's 100%-owned property management company, reported revenues of Php 473 million, 11% more than the reported figure for 9M05 (net of inter-company eliminations). The growth is attributed to new third-party contracts which include the 36 Citibank buildings and branches, as well as carparks at Bonifacio Global City.

Waterworks contributed Php 234 million in revenues.

As a whole, Support Businesses' NOI margin was 30%. NOI amounted to Php 1.02 billion, 3% more than the Php 986 million in 9M05 and 19% of total NOI.

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

For the first three quarters of 2006, Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income amounted to Php 1.23 billion, 62% less than the Php 3.23 billion generated during the same period in 2005. The drop is due to Php 2.59 billion gain from the MRT-3 transaction booked last year, partly offset by the Php 506 million gain from the Bridgebury transaction in early 2006.

Equity in Net Earnings from Investees reached Php 154 billion, 28% higher than the reported figure last year. Main contributors to equity in net earnings were Alabang Commercial Corporation (Php 62 million) and Cebu Holdings, Inc. (Php 89 million).

Cebu Holdings's revenues were 61% higher in 9M06 compared to 9M05 at Php 799 million, largely due to more lot sales at Asiatown IT Park and Cebu Business Park. The sale of two remaining units at Park Tower Two and the booking of 39 lots at Amara, the high-end seaside residential community, in the early stage of development, also increased revenues. As a result, net income almost doubled to Php 187 million from Php 98 million. Due to strong sellout of Amara's Phase 1, Phase 2 with 87 lots was put on the market in July.

Expenses

Costs and Expenses totaled Php 15.78 billion for the first nine months of 2006, 16% more than the Php 13.56 billion during the same period last year. Direct costs for the real estate and hotels business amounted to Php 12.06 billion, 42% more y-o-y. The higher increase in direct costs versus the 33% increase in the corresponding revenues is attributed to the higher contribution of Residential Development which includes losses from One Roxas Triangle.

General and Administrative Expenses were 10% higher during 9M06 at Php 1.61 billion. Meanwhile, Interest and Other Financing Charges was Php 715 million or 74% lower y-o-y with the absence in 2006 of the Php 1.82 billion provision (for the decline in value of assets intended to be sold) in 2005.

Provision for income tax was 76% more at Php 1.39 billion with the implementation of a three percentage point hike in corporate income tax rate to 35%, as well as the lower capital gains (subject to final tax at a lower rate) this year.

Project and Capital Expenditure

For the first three quarters of 2006, project and capital expenditure amounted to Php 7.9 billion, 65% more than the Php 4.8 billion spent during the same period last year. Around 60% or Php 4.7 billion was spent for Residential Development followed by Shopping Centers at Php 2.6 billion or 32% of total. The 9M06 total expenditures does not include yet the US\$ 25 million investment in an Asian property fund which will be co-sponsored by ALI with Ayala Corporation. We expect to book this investment in the fourth quarter.

Financial Condition

Net cash provided by operating activities for 9M06 amounted to Php 4.73 billion, attributable to the sale of Php 1.2 billion worth of installment contract receivables, increase in deposits from buyers, and better operating results.

Ayala Land's Balance Sheet remains strong with Current Ratio at 1.53:1 and Debt-to-Equity Ratio at 0.33:1 as at end September 2006. Cash and Cash Equivalents stood at Php 10.95 billion, Php 4.19 billion more than the Php 6.76 billion as at end-2005, due to additional cash generated from operations and the issuance of the Php 3.0 billion Fixed Rate Corporate Notes (FXCN) in September. The FXCN, maturing in 5, 7 and 10 years, was issued at a relatively low blended cost of 7.4%

With Cash and Cash Equivalents increasing faster than the rise in Total Borrowings, Net Debt-to-Equity Ratio improved to 0.06:1 from 0.10:1 in December 2005.

PART II - OTHER INFORMATION

Item 3. 3Q 2006 Developments

- A. New project or investments in another line of business or corporation**
- In August, Ayala Land and Ayala Corporation (through Ayala International Pte. Ltd. – AIPL) committed to sponsor and invest up to US\$25 million and up to US\$50 million, respectively, in an Asian real estate private equity fund.
- Both Ayala Land and AIPL will participate in the fund management company which will raise third party capital and pursue profitable investments for the fund.
- B. Composition of Board of Directors (as of September 30, 2006)**
- | | |
|---------------------------------|-----------------|
| Fernando Zobel de Ayala | Chairman |
| Jaime Augusto Zobel de Ayala II | Vice Chairman |
| Jaime I. Ayala | President & CEO |
| Mercedita S. Nolleddo | 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**
- 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**
- 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 September 30, 2006, stock options outstanding* are as follows:
- | | |
|-------|--------------------------|
| ESOP | 50,384,051 shares |
| ESOWN | <u>35,442,108</u> shares |
| | 85,826,159 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 9M 2006 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 | Previous year's reported 3Q2005 net income (attributable to equity holders of ALI) of P790 million has been restated to P762 million as a result of the adoption of new accounting standards based on the revised Philippine Accounting Standards (PAS) and new Philippine Financial Reporting Standards (PFRS) which were adopted by end-2005. |
| 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 | <ul style="list-style-type: none"> - Bulk sale of P1.2 billion Avida Land receivables in January - Initial issuance of Homestarter Bonds in March - Issuance of P3B FXCNs in September |

- Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation** None.
- R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period** None.
- S. Material commitments for capital expenditures, general purpose and expected sources of funds** For year 2006, Ayala Land's consolidated budget for project and capital expenditures amount to P16.1 billion. About 56% is earmarked for residential developments, 26% for shopping centers, and the balance for corporate business, strategic landbank management, Visayas-Mindanao, and support businesses. This will be financed through a combination of internally-generated funds, borrowings, pre-selling and with proceeds from sale of receivables and non-core assets.
- For the first nine months of 2006, consolidated project and capital expenditures amounted to P7.9 billion, about half of the P16.1 billion budget for the whole year. About 60% was spent for residential projects, 32% for shopping centers, another 5% for strategic landbank management, and the balance for corporate business, Visayas-Mindanao, and support businesses.
- T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations** Ayala Land's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company.
- U. Significant elements of income or loss that did not arise from continuing operations** None.
- V. Causes for any material change/s from period to period in one or more line items of the financial statements** Please see Notes to Financial Statements (Item #7).

W. Seasonal aspects that had material effect on the financial condition or results of operations

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.

The Company's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

X. Disclosures not made under SEC Form 17-C

None.

Item 5. Performance Indicators

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

	<i>End-September 2006</i>	<i>End-December 2005</i>
Current ratio ¹	1.49:1	1.56:1
Debt-to-equity ratio ²	0.33:1	0.28:1
Net debt-to-equity ratio ³	0.06:1	0.10:1
	<i>9M 2006</i>	<i>FY 2005</i>
Return on assets ⁴	3.3%	4.7%
Return on equity ⁵	6.8%	9.4%

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

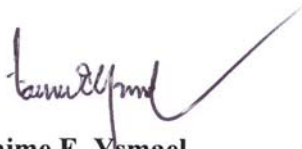
⁵ Net income / average stockholders' equity

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: November 9, 2006