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)

June 30, 2005

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

(Amendments)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2005**

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 June 30, 2005

Title of each class	Number of shares issued and outstanding
Common shares	**10,787,577,931**

    Amount of Debt Outstanding
    P11.52 Billion

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

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

Yes [x]   No [ ]

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PART I – FINANCIAL STATEMENTS

Item 1. Financial Statements

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2005 and December 31, 2004

	Unaudited JUN 2005	Audited DEC 2004
(in million pesos)		
ASSETS		
Current Assets		
Cash and cash equivalents	7,389	6,360
Accounts and notes receivables - net	7,811	7,451
Subdivision land for sale	3,408	3,103
Condominium and residential units for sale	3,911	2,900
Deferred tax and other current assets	1,771	1,045
Total Current Assets	24,290	20,859
Noncurrent Accounts and Notes Receivable	5,621	6,445
Land and Improvements	16,782	17,309
Investments	24,466	26,625
Property and Equipment	1,249	1,501
Other Assets	1,567	1,290
	73,975	**74,029**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	6,867	5,739
Loans payable	1,752	1,937
Income tax payable	19	166
Current portion of:		
Long-term debt	823	1,111
Estimated liability for land and property development	2,071	3,043
Other current liabilities	753	194
Total Current Liabilities	12,285	12,190
Long-term Debt - net of current portion	8,947	10,389
Noncurrent Liabilities and Deposits	4,624	4,390
Estimated Liability for Land and Property Development	2,451	2,225
Minority Interest	6,833	6,776
Stockholders' Equity	38,835	38,059
	73,975	**74,029**

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND UNAPPROPRIATED RETAINED EARNINGS
For the Three Months and Six Months Ended June 30, 2005 and 2004

	2005 Unaudited		**2004 Unaudited**	
	April 1 to June 30	**January 1 to June 30**	**April 1 to June 30**	**January 1 to June 30**
(in million pesos)				
REVENUES				
Real estate	4,315	8,498	3,905	7,464
Interest and other income	532	3,264	462	588
	4,847	11,762	4,367	8,052
COSTS AND EXPENSES				
Real estate	2,808	5,603	2,649	4,890
General and administrative expenses	588	1,145	540	969
Interest and other charges	531	2,706	329	564
Provision for income tax	195	349	312	562
	4,122	9,803	3,830	6,985
INCOME BEFORE NET EARNINGS APPLICABLE TO MINORITY INTEREST	725	1,959	537	1,067
NET EARNINGS APPLICABLE TO MINORITY INTEREST	85	157	(76)	(42)
NET INCOME	640	1,802	613	1,109
UNAPPROPRIATED RETAINED EARNINGS, BEG, as previously stated	17,402	17,357	15,561	14,995
Effect of changes in accounting for:				
PFRS 2 - Share options granted in prior years		(291)		(253)
PFRS 3 - Cessation of amortization of negative goodwill		717		713
PAS 19 - Unfunded defined benefit obligations		(406)		(341)
PAS 21 - Elimination of capitalization of FOREX losses		(58)		(49)
UNAPPROPRIATED RETAINED EARNINGS, BEG, as re-stated	17,402	17,319	15,561	15,065
Cash dividends (P0.10 per share)		(1,079)		
UNAPPROPRIATED RETAINED EARNINGS, ENDING	18,042	18,042	16,174	16,174
EARNINGS PER SHARE*		0.17		0.10

* *Based on 10,784,903,309 and 10,763,422,905 weighted average number of shares as of June 30, 2005 and 2004, respectively.*

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For Six Months Ended June 30, 2005 and 2004

	UNAUDITED	
	January 1 to June 30	
	2005	2004
(in million pesos)		
CAPITAL STOCK - P1 par value		
Issued		
Balance at beginning of year	10,774	10,761
Stock options exercised	12	1
Balance at end of the year	10,786	10,762
Subscribed		
Balance at beginning of year	1	2
Stock options exercised	(0)	(0)
Balance at end of the year	1	2
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	3,598	3,526
Stock options exercised -net	96	3
Balance at end of year	3,694	3,529
STOCK OPTIONS OUTSTANDING	317	252
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(5)	(10)
Stock options exercised - net	1	4
Balance at end of year	(4)	(6)
	14,794	**14,539**
RETAINED EARNINGS		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year, as previously stated	17,357	14,995
Effect of changes in accounting for:		
PFRS 2 - Share options granted in prior years	(291)	(253)
PFRS 3 - Cessation of amortization of negative goodwill	717	713
PAS 19 - Unfunded defined benefit obligations	(406)	(341)
PAS 21 - Elimination of capitalization of FOREX losses	(58)	(49)
Balance at beginning of year, as restated	17,319	15,065
Cash dividends	(1,079)	0
Net income, as restated	1,802	1,109
Balance at end of year	18,042	16,174
	24,042	22,174
TREASURY STOCK		
Balance at beginning of year	(1)	(1)
Shares repurchased		
Balance at end of year	(1)	(1)
	38,835	**36,712**

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2005 and 2004

	UNAUDITED January 1 to June 30	
	2005	**2004**
(in million pesos)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,802	1,109
Adj. to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	489	445
Provision for doubtful accounts		14
Provision for decline in value of assets / asset write-off	1,644	
Net earnings applicable to minority interest	157	(41)
Equity in net earnings of affiliates	(131)	(47)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts and notes receivable - trade	1,378	(1,866)
Subdivision land for sale	(305)	(145)
Condominium and residential units for sale	(1,011)	(238)
Deferred tax and other current assets	(717)	(303)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,306	1,088
Other current liabilities	559	(12)
Estimated liability for land and property development	(745)	728
Net cash provided by operating activities	4,426	732
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of (addition to):		
Land and improvements	308	(181)
Investments	811	(764)
Property and equipment	(204)	(147)
Decrease (increase) in:		
Accounts and notes receivable - non trade	(916)	(548)
Other assets	(287)	(263)
Net cash used by investing activities	(287)	(1,903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of) short-term loans	(185)	379
Proceeds from (payment of) long-term debt	(1,730)	(547)
Dividends paid	(1,404)	(321)
Increase (decrease) in:		
Noncurrent liabilities and deposits	169	864
Minority interest	(95)	99
Additional issuance of capital stock	134	21
Net cash provided by (used for) financing activities	(3,110)	495
NET INC. (DEC.) IN CASH AND CASH EQUIVALENTS	1,029	(676)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	6,360	4,855
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,389	4,179

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

1. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the Philippines using the historical cost basis. Accounting principles/policies and methods of computation applied for the six months ended June 30, 2005 are the same as those applied in the preceding calendar year, except for the adoption of new accounting standards based on the revised Philippine Accounting Standards (PAS) and new Philippine Financial Reporting Standards (PFRS) which became effective beginning January 1, 2005: PAS 19 (Employee Benefits), PAS 21 (The Effects of Changes in Foreign Exchange Rates), PFRS 2(Share-Based Payments), and PFRS 3 (Business Combination).

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:

	Effective Ownership (%)
Real Estate:	
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. (CII)	100
Crimson Field Enterprises, Inc.	100
Laguna Properties Holdings, Inc. (LPHI) and subsidiaries	100
Regent Time International, Limited	100
Red Creek Properties, Inc.	100
Station Square East Commercial Corporation (SSECC)	72
Aurora Properties, Inc. (API)	70
Vesta Property Holdings, Inc.	70
Serendra, Inc.	67
Ceci Realty, Inc.	62
Laguna Technopark , Inc.	61
CMPI Holdings, Inc.	60
ALI-CII Development Corporation	50
Roxas Land Corporation (RLC)	50
Construction:	
Makati Development Corporation	100
Hotels:	
Ayala Hotels, Inc. and subsidiaries	50

Property Management:	
Ayala Property Management Corporation	100
Ayala Theatres Management, Inc. and subsidiaries	100
Entertainment:	
Five Star Cinema, Inc.	100
Leisure and Allied Industries Phils., Inc (LAIPI)	50
Others:	
ALInet.com, Inc.	100
Astoria Investment Ventures, Inc.	100
Food Court Company, Inc.	100

3. Receivables / Payables

Aging of Receivables (as of June 30, 2005; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	3,120	1,584	4,594	441	9,739
Non-Trade Receivables	2,268	396	1,026	3	3,693
Total	5,388	1,980	5,620	444	13,432

Aging of Payables (as of June 30, 2005; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	1,543	1,608	556	0	3,707
Non-Trade Payables	3,745	743	4,068	0	8,555
Total	5,288	2,351	4,624	0	12,262

4. Loans Payable and Long-Term Debt

Loans Payable (as of June 30, 2005; in Million Pesos)

Borrower	Amount
ALI	850.0
API	44.0
AGDC	253.0
LAIPI	140.0
LPHI	465.0
Total	1,752.0

Long-Term Debt (as of June 30, 2005; in Million Pesos / US$)

	Current		Non-Current		Total	
Borrower	Peso *	US$	Peso *	US$	Peso *	US$
ALI (incl. bonds)	166.7		6,033.3		6,200.0	
AGDC	51.7		77.5		129.2	
CIHCI	32.0	0.6			32.0	0.6
	47.9		113.7		161.7	
LPHI	243.6		442.3		685.9	
SSECC	120.0		1,880.0		2,000.0	
MPVI	160.7	2.9	400.5	7.1	561.2	10.0
Total	822.6	3.5	8,947.4	7.1	9,770.0	10.6

* *Peso equivalent of US$ loans (when applicable);*
Exchange rate of P56.177/US$ (PDS average for June 30, 2005)

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans –
January – June 2005 (in Million Pesos)

Borrower	Amount	Nature
ALI	1,200.0	renewal of short-term loans
AGDC	163.0	renewal of short-term loans and new short-term loan
API	29.0	renewal of short-term loan
LAIPI	70.0	renewal of short-term loan and new short-term loans
LPHI	700.0	renewal of short-term loans and new short-term loans
SSECC	99.3	new long-term loan
Total	2,261.3	

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

Borrower	Amount	Nature
ALI	3,108.1	maturity & prepayment of FXCN, payment of matured long-term and short-term loans, payment of matured STCPs, amortization on long-term loans and prepayment of long-term loans
AGDC	158.8	payment of matured short-term loans and amortization on long-term loans
AHI	10.0	payment of matured short-term loan
API	29.0	payment of matured short-term loan
CIHCI	24.0	amortization on long-term loans
	31.2	amortization on US$ loan *
LAIPI	30.0	payment of matured short-term loans
LPHI	701.8	payment of matured short-term loans and amortization on long-term loans
MPVI	78.3	amortization on US$ loan *
Total	4,171.2	

* *Amounts converted into Pesos at P56.177/US$ (PDS average for June 30, 2005)*

5. Commercial Paper Issuances and Outstanding Balance
(for the quarter ended June 30, 2005; in Million Pesos)

Name of Company (Selling Agents)	Issuances during the Quarter (Amt.)	Interest Rate	Issue Date	Maturity Date	Original Amount Underwritten	Outstanding Balance
SHORT TERM (Floating)						
Standard Chartered Bank	0	90d MART1 + 0.50% p.a.	9/14/2004	9/14/2005	225.00	225.00
	0	90d MART1 + 0.50% p.a.	5/21/2004	5/20/2005	209.75	0.00
SB Capital Invest. Corp.	0	90d MART1 + 0.50% p.a.	5/21/2004	5/20/2005	105.00	0.00
PCI Capital Corp.	0	90d MART1 + 0.50% p.a.	5/21/2004	5/20/2005	50.00	0.00
Sub-total	**0**				**589.75**	**225.00**
SHORT TERM (Fixed)						
Standard Chartered Bank	0	Fixed @ 10.2536%	9/14/2004	9/14/2005	225.00	225.00
Sub-total	**0**				**225.00**	**225.00**
TOTAL	**0**				**814.75**	**450.00**

6. Accounts Payable and Accrued Expenses

The accounts payable and accrued expenses pertain to the accrual of various expenses incurred on all projects, taxes payable, and payable to contractors, retention payables and trade payables, while the other current liabilities/non-current liabilities refer to the deposits from commercial centers and from the sale of condominium units and subdivision lots, and long-term retentions.

The breakdown of accounts payable and accrued expenses, and other current liabilities/non-current liabilities are not available at this time. The said accounts are presented in the format provided to Ayala Land by the external auditors, Sycip, Gorres, Velayo & Company (SGV & Co.), and are consolidated with Ayala Land's various subsidiaries and affiliates.

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

<u>Income Statement items</u> – 1H 2005 versus 1H 2004

14% increase in real estate revenues
Principally due to higher sales bookings at Ayala Greenfield Estates, Ayala Westgrove Heights, Plantazionne Verdana Homes, Verdana Mamplasan, and Laguna Technopark; sales at new projects Sonera and The Residences at Greenbelt (San Lorenzo Tower); additional sales and revenue recognition on prior years' sales at The Residences at Greenbelt (Laguna Tower), One Legazpi Park, The Columns and Serendra; higher leasing revenues from shopping centers, office and hotels given additional leasable area and higher rental and room rates; and higher construction revenues.

455% increase in interest and other income
Primarily due to the gain on sale of Astoria Investment Ventures, Inc. (AIVI) preferred shares and higher interest income on placements.

15% increase in real estate cost and expenses
Mainly due to higher real estate revenues; depreciation and direct operating expenses of recently-opened Market! Market!; advertising and promotion expenses in preparation for new launches.

18% increase in general and administrative expenses
Primarily due to higher payroll costs given the CBA and subsidiaries' expansion.

380% increase in interest and other charges
Principally due to provision for decline in asset value and write-off of deferred charges.

38% decline in provision for income tax
Mainly due to lower income subject to 32% corporate income tax.

478% increase in net earnings applicable to minority interest
Largely due to Roxas Land Corporation's loss which resulted from one-time project cost adjustment in 2004.

<u>Balance Sheet items</u> – June 30, 2005 versus End-2004

16% increase in cash and cash equivalents
Mainly due to proceeds from the sale of AIVI preferred shares.

10% increase in subdivision land for sale
Mainly due to continued development at existing residential subdivision projects such as Ayala Greenfield Estates, Ayala Westgrove Heights, Plantazionne Verdana Homes and Verdana Homes Mamplasan, as well as development of a new project, Sonera.

35% increase in condominium and residential units for sale
Largely due to construction accomplishment at residential building projects such as Serendra, The Residences at Greenbelt, One Legazpi Park, Montgomery Place, The Columns, One Aeropolis and Aeropolis 2 New Manila.

69% increase in deferred tax and other current assets
Mainly due to higher prepaid expenses and creditable withholding taxes of some subsidiaries.

13% decline in non-current accounts and notes receivables
Largely due collection of payments at various projects.

8% decrease in investments
Primarily due to provision for decline in asset value and write-off of deferred charges.

17% decline in property and equipment
Mainly due to provision for decline in asset value.

21% increase in other assets
Mainly due to deposit made for Manila Jockey Club's 6.5-hectare property in Manila.

20% increase in accounts payable and accrued expenses
Primarily due to higher payables to contractors for various projects and additional purchases by ALI and some subsidiaries such as Makati Development Corporation and Serendra, Inc.

10% decrease in loans payable
Largely due to payment of short-term loans and STCPs.

89% decline in income tax payable
Mainly due to lower income that is subject to 32% corporate income tax.

26% decrease in current portion of long-term debt
Largely due to prepayment of FXCN and other long-term loans.

32% decline in current portion of estimated liability for land and property development
Mainly due to construction accomplishment at various projects.

288% increase in other current liabilities
Primarily due to higher deposits from customers and tenants.

14% decline in long-term debt (net of current portion)
Largely due to prepayment of FXCN and other long-term loans.

5% increase in non-current liabilities and deposits
Due to increase in tenants' deposits for Market! Market! and PeopleSupport Center and buyers' deposits for new residential projects.

10% increase in non-current portion of estimated liability for land and property development
Primarily due to new sales at existing and new projects.

8. Segment information

YTD-June 2005	Development	Leasing	Services	Others	Total
(in million pesos)					
Revenues	4,208	3,009	1,281	3,264	11,762
Operating expenses	3,760	1,290	829	537	6,416
Earnings before interest, taxes, depreciation and amort (EBITDA)	447	1,719	452	2,727	5,346
Depreciation and amortization	60	344	46	40	489
EBIT	388	1,374	179	2,916	4,857
Segment assets	37,300	21,495	1,373	13,307	73,475
Deferred tax assets	61	116	230	93	500
Total assets	37,360	21,611	1,603	13,401	73,975
Segment additions to property and equipment	35	90	22	88	236
Segment liabilities	16,070	7,668	1,570	8,893	34,201
Deferred tax liabilities	272	8	0	659	939
Total liabilities	16,342	7,676	1,570	9,552	35,140

YTD-June 2004	Development	Leasing	Services	Others	Total
(in million pesos)					
Revenues	3,734	2,586	1,144	588	8,052
Operating expenses	3,452	1,097	579	246	5,373
Earnings before interest, taxes, depreciation and amort (EBITDA)	282	1,489	565	343	2,679
Depreciation and amortization	7	303	41	94	445
EBIT	275	1,186	524	249	2,234
Segment assets	33,206	20,644	1,325	14,833	70,007
Deferred tax assets	27	43	0	315	385
Total assets	33,232	20,687	1,325	15,148	70,392
Segment additions to property and equipment	74	54	49	23	151
Segment liabilities	10,719	7,064	1,053	14,261	33,097
Deferred tax liabilities	286	7	-	546	839
Total liabilities	11,005	7,071	1,053	14,807	33,936

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

Results of Operations for the Six Months Ended June 30, 2005

Ayala Land earned a consolidated net income of P1.8 billion in the first half of 2005, up 63% from the previous year. Consolidated revenues grew 46% to P11.8 billion, resulting from sustained property sales and strong leasing operations. Capital gain realized from the sale of the Company's interest in preferred redeemable shares of Astoria Investment Ventures, Inc. further enhanced the performance for the period.

"We are pleased to report solid operating results for the first half of the year from all our business lines," said Jaime I. Ayala, Ayala Land President and Chief Executive Officer. "To ensure continued growth in the midst of a challenging business environment, we have taken appropriate measures to strengthen our core businesses and internal business processes, and deliver superior value and returns to our stakeholders."

Development. Revenues from development projects grew 13% to P 4.2 billion and contributed 35% to total revenues. Bookings across all product lines remained strong, registering at 1,600 units, representing a 5% growth from the previous year's level.

Land sales grew by 17% and contributed P 1.3 billion or 11% of total revenues. Accounting for this robust growth was the sale of 302 high-end residential subdivision lots, mostly from Ayala Westgrove Heights, Ayala Greenfield Estates and newly launched Sonera, representing a 40% increase compared to 215 units sold in the previous year. The sale of 3.1 hectares of industrial land at Laguna Technopark further boosted land sales revenues.

Revenues from high-end residential units declined by 12% to P966 million or 8% of total revenues, due to the full-sell out of One Legazpi Park, Ferndale Homes and The Residences at Greenbelt - Laguna Tower. A total of 125 units were sold, mostly from Serendra (District 1) and the San Lorenzo Tower of The Residences at Greenbelt, which was launched only last May.

Middle-income residential revenues increased by 147% to P1.06 billion, representing 9% of total revenues for the period. This product line, introduced in 2002, registered an increase in total sales to 304 units, the bulk of which came from Verdana Homes Mamplasan and Serendra (District 2) which were launched in February and March 2004, respectively.

Mass housing sales grew by 2% to 865 units. Revenues amounted to P844 million, down from the previous year, due to the higher proportion of lower-priced units sold and the change to a more conservative booking policy starting 2005.

Leasing. Leasing operations continued to exhibit a strong performance and contributed P3.0 billion or 26% of total revenues. Revenue growth of 16% was driven by the full operations of Market! Market! and the SM Expansion and higher average rental rates for shopping centers, office buildings and hotel properties.

Shopping center revenues grew by 27% and accounted for the bulk of leasing revenues, generating P1.9 billion, representing 16% of total revenues. Although same store sales were flat, total retail sales were up 14% due to the increase in gross leasable area and higher effective rent in most malls. Ayala Center, which accounted for the bulk of shopping center revenues, had a 96% average occupancy rate and posted a 5% increase in effective rent.

Revenues from office buildings, accounting for P320 million or 3% of consolidated revenues, declined due to lower average occupancy rate which was partly offset by higher average rental rate. The Company's new BPO buildings, as well as the closing of deals with replacement tenants for 6750 and MSE within the third quarter, are expected to increase office revenues in the succeeding quarters. Ayala Land's first BPO facility, PeopleSupport Center, was completed in April; with Convergys, its second BPO building, scheduled for completion by the fourth quarter. The Company started tapping demand for BPO space outside Metro Manila. In July, the Company broke ground on the two-storey Infonxx Building in Sta. Rosa, Laguna, which will consist of 5,612 square meters of gross leasable area and provide jobs for some 1,200 call center professionals when completed by year-end.

Hotel revenues increased by 8% to P791 million or 7% of total revenues. The Company's hotel properties continued to do well. Occupancy rates remained high. Intercon significantly improved its occupancy rate to 77%, with Marriot and Oakwood posting occupancies of 85% and 82%, respectively. Average room rates also increased across all three hotel properties.

Services. Revenues from services grew 12% to P 1.3 billion and accounted for 11% of revenues. Construction revenues of Makati Development Corporation significantly increased and comprised the bulk of service revenues. Revenues from waterworks and financing of installment sales grew by 15% and 10%, respectively.

Interest and Other Income. Interest and other income amounted to P 3.3 billion, significantly higher than last year and represented 28% of total revenues, as a result of the P2.6 billion gain on the sale of preferred redeemable shares of Astoria Investment Ventures, Inc., the holding company for the Company's investment in MRT. Equity earnings from investments in Bonifacio Land Corporation, Alabang Commercial Corporation, Cebu Holdings, Inc. and Lagoon Development Corporation contributed P131 million, almost three times higher than last year's.

Net Operating Income (NOI). NOI amounted to P2.9 billion, up 12% from previous year's level following higher sales and stronger lease performance. Leasing contributed 58% of total NOI. The development business accounted for 26% of NOI, followed by services, with a 16% share. Overall NOI margin was maintained at 34%. Ongoing initiatives to reduce operating, as well as construction and development costs, are expected to further enhance margins in the coming months.

Capital Expenditures. Project and capital expenditures amounted to P3.1 billion for the period, representing 23% of the P13.6 billion budget for the year. About 52% was used for residential building projects. Residential subdivisions accounted for 18%. The balance of 30% was spent to fund construction of buildings for lease, primarily Market! Market! and build-to-suit office buildings.

Balance Sheet. The Company ended the first six months of the year with a strong balance sheet. Consolidated cash reserves amounted to P7.4 billion. Consolidated debt declined to P11.5 billion, from P13.4 billion as of year end 2004, as the Company pared down its more expensive debt, resulting in a lower debt-to-equity ratio of 0.30:1. The Company also paid out special cash dividends amounting to P1.1 billion or P0.10 per share.

Ayala Land's program to increase shareholder value remains on track. The Company will continue to tap new sources of growth and make its presence felt in new geographic areas through projects such as the Anvaya Cove launched last July, and the mixed use project at the 6.5-hectare property in Manila which is currently under the planning stage. Initiatives to rationalize the asset portfolio and improve return on assets through the sale of receivables and non-core assets are being sustained.

PART II - OTHER INFORMATION

Item 3. 2Q 2005 Developments

A. New project or investments in another line of business or corporation	None.	
B. Composition of Board of Directors (as of June 30, 2005)	Fernando Zobel de Ayala	Chairman
	Jaime Augusto Zobel de Ayala II	Vice Chairman
	Jaime I. Ayala	President & CEO
	Mercedita S. Nolledo	Corp. Secretary
	Nieves R. Confesor	Director
	Delfin L. Lazaro	Director
	Leandro Y. Locsin, Jr.	Director
	Aurelio R. Montinola III	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	*Stock Options:* As of June 30, 2005, stock options outstanding are as follows: ESOP 91,128,060 shares ESOWN 1,258,000 shares 92,386,060 shares	
G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate	None.	
H. Other information, material events or happenings that may have affected or may affect market price of security	None.	
I. Transferring of assets, except in normal course of business	None.	

Item 4. Other Notes to 1H2005 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 net income of P1.18 billion has been restated 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 became effective beginning January 1, 2005. The new accounting standards pertain to the accrual of retirement benefits (PAS 19), non-capitalization of foreign exchange losses (PAS 21), earlier recognition of stock option grants (PFRS 2), and cessation of the amortization of goodwill (PFRS 3). These lowered the 2004 first half net income by P67 million, increased the 2004 beginning retained earnings by P70 million and decreased the 2005 beginning retained earnings by P38 million.
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	P0.14/share special cash dividend and P0.03/share regular cash dividend Declaration date: August 11, 2005 Record date: September 9, 2005 Payment date: October 3, 2005
N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations	None.
O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date	None.
P. Existence of material contingencies and other material events or transactions during the interim period	ALI's sale of AIVI preferred shares to Goldman Sachs for US$65M.

Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation	None.
R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period	None.
S. Material commitments for capital expenditures, general purpose and expected sources of funds	For year 2005, Ayala Land's consolidated budget for project and capital expenditures amount to P13.6 billion. 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. In the first half, project and capital expenditures amounted to P3.1 billion, representing 23% of the P13.6 billion budget for the year. About 52% of the first half expenditures was used for various residential building projects including Serendra, The Residences at Greenbelt, One Legazpi Park, Montgomery Place, The Columns, One Aeropolis and Aeropolis 2 New Manila. Residential subdivision projects including Ayala Greenfield Estates, Ayala Westgrove Heights, Ayala Hillside Estates, Sonera and Verdana Homes Mamplasan, accounted for 18%. The balance of 30% was spent to fund construction of buildings for lease, primarily Market! Market! and build-to-suit office buildings PeopleSupport Center and Convergys.
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	The 2005 first half net income includes the net gain from the AIVI transaction of P2.2 billion, offset by provisions for decline in value of certain assets intended to be sold and write-off of deferred charges amounting to P1.6 billion.
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:

	End-1H 2005	*End-1H 2004*
Current ratio [1]	1.98:1	1.70:1
Debt-to-equity ratio [2]	0.30:1	0.39:1
Net debt-to-equity ratio [3]	0.11:1	0.28:1
	1H 2005	*1H 2004*
Return on assets [4]	2.4%	1.7%
Return on equity [5]	4.7%	3.1%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds and CPs) / stockholders' equity*
[3] *Interest-bearing debt less cash & cash equivalents / stockholders' equity*
[4] *Net income / total assets (at the beginning of the year)*
[5] *Net income / stockholders' equity (at the beginning of the year)*

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AYALA LAND, INC.**

By:

(original copy signed)

Jaime E. Ysmael
Senior Vice President and Chief Finance Officer

Date: August 11, 2005