SEC Number: 152-747
File Number: ________

AYALA LAND, INC.

(Company's Full Name)

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

(Company Address)

(632) 848-5313

(Telephone Number)

March 31, 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 **March 31, 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 March 31, 2006

Title of each class	Number of shares issued and outstanding
Common shares	**10,801,663,210**

    Amount of Debt Outstanding
    P10.0 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.
Consolidated Balance Sheets
As of March 31, 2006 and December 31, 2005
(in million pesos)

	Unaudited Mar. 2006	Audited Dec. 2005
ASSETS		
Current Assets		
Cash and cash equivalent	7,370	6,756
Accounts and notes receivable - net	10,092	9,153
Real estate inventories	7,186	6,754
Other current assets	2,227	1,342
Total Current Assets	26,875	24,005
Noncurrent Assets		
Non-current accounts and notes receivable	7,259	8,253
Land and improvements	16,948	17,578
Investments in associates and jointly controlled entities - net	6,908	6,812
Available-for-sale financial assets	474	443
Invesment properties - net	12,773	13,209
Property and equipment - net	5,207	5,073
Deferred tax assets - net	818	767
Other noncurrent assets	1,407	1,280
Total Noncurrent Assets	51,794	53,415
	78,669	**77,420**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	8,906	7,891
Short-term debt	1,310	1,427
Income tax payable	298	112
Current portion of:		
Long-term debt	764	812
Estimated liability for land and property development	3,153	3,877
Unrealized gain on real estate sales	1,022	1,112
Other current liabilities	117	182
Total Current Liabilities	15,570	15,413
Noncurrent Liabilities		
Long-term debt - net of current portion	7,931	8,484
Pension liabilities	51	110
Deferred tax liabilities	290	273
Noncurrent liabilities and deposits	3,738	3,845
Unrealized gain on real estate sales - net of current portion	2,662	1,732
Estimated liability for land and property development - net of current portion	2,027	2,224
Total Noncurrent Liabilities	16,699	16,668
Total Liabilities	32,269	32,081
Equity		
Equity Attributable to Equity Holders of Ayala Land, Inc.		
Paid-up Capital	14,412	14,385
Stock Options Outstanding	120	120
Unrealized Gain/(Loss) on Available-for-sale Financial Assets	4	(8)
Retained Earnings	25,126	23,951
Treasury Stock	(1)	(1)
	39,661	38,447
Minority interests	6,739	6,892
	46,400	45,339
	78,669	**77,420**

Ayala Land, Inc.
Consolidated Statements of Income
For the Three Months Ended March 31, 2006 and March 31, 2005
(in million pesos)

	2006 Unaudited Jan 1 - Mar 31	2005 Unaudited Jan 1 - Mar 31
REVENUE		
Real estate	4,256	3,682
Hotel operations	484	426
Equity in net earnings of investees, interest, fees, investment and other income	716	2,797
	5,456	6,905
COSTS AND EXPENSES		
Real estate	2,699	2,521
Hotel operations	311	274
General and administrative expenses	461	561
Interest and other charges	220	1,908
Provision for income tax	485	408
	4,176	5,672
NET INCOME	**1,280**	**1,233**
Net Income(Loss) Attributable to :		
Equity holders of Ayala Land, Inc.	**1,175**	**1,161**
Minority interests	105	72
	1,280	1,233
Earnings per Share		
Basic	0.11	0.11
Diluted	0.11	0.11

Ayala Land, Inc.
Consolidated Statement of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2006 and March 31, 2005
(in million pesos)

	2006 Unaudited Jan 1 - Mar 31	2005 Unaudited Jan 1 - Mar 31
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	6	22
Balance at end of year	10,801	10,796
Subscribed		
Balance at beginning of year	1	1
Issuance of shares	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	20	5
Balance at end of year	3,613	3,555
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(4)	(4)
Collections	1	0
Balance at end of year	(3)	(4)
TOTAL PAID-UP CAPITAL	14,412	14,348
STOCK OPTIONS		
Effect of change in accounting for stock options	120	115
Cost of stock options	27	68
Stock options exercised	(27)	(26)
Balance at end of year	120	157
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		
Balance at beginning of year, as restated	17,951	17,685
Cumulative effect of change in accounting policy for financial instruments	0	(115)
Balance at beginning of year, as adjusted	17,951	17,570
Cash dividends	0	(1,079)
Net income	1,175	1,161
Balance at end of year	19,126	17,652
	25,126	23,652
UNREALIZED GAIN/(LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	4	0
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.	39,661	38,156
MINORITY INTERESTS		
Balance at beginning of year, as adjusted	6,892	6,675
Net income (loss)	105	71
Increase in minority interests	(242)	(77)
Dividends paid to minority interests	(16)	(36)
Balance at end of year	6,739	6,633
	46,400	**44,789**

Ayala Land, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2006 and March 31, 2005
(in million pesos)

	2006 Unaudited Jan 1 - Mar 31	2005 Unaudited Jan 1 - Mar 31
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,765	1,641
Adjustments for:		
Depreciation and amortization	278	245
Interest expense - net of amount capitalized	221	154
Prior years adjustment on retained earnings	-	252
Cost of share-based payments	-	68
Unfunded retirement obligations	-	350
Goodwill recognition on FBDC account	-	(713)
Provision for possible losses	-	1,644
Gain on sale of investments	(483)	(2,590)
Interest income	(87)	(98)
Equity in net earnings of investees	56	(20)
Operating income before changes in working capital	1,750	933
Decrease (increase) in :		
Accounts and notes receivable - trade	644	857
Real estate inventories	(431)	(899)
Other current assets	(539)	(364)
Increase (decrease) in :		
Accounts and other payables	1,571	913
Pension liabilities	(59)	-
Other current liabilities	(65)	310
Estimated liability for land and property development	(921)	(708)
Cash generated from operations	1,950	1,042
Interest received	94	113
Income tax paid	(609)	(611)
Interest paid - net of amount capitalized	(220)	(195)
Net cash provided by (used in) operating activities	1,215	349
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	615	3,527
Decrease (increase) in:		
Land and improvements	630	219
Investments	(25)	11
Property and equipment	(262)	(137)
Decrease (increase) in:		
Accounts and notes receivable - non trade	(945)	(3,545)
Other assets	(180)	(231)
Net cash provided by (used in) investing activities	(167)	(156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of) loans payable	(164)	20
Payment of (payment of) long-term debt	(552)	(510)
Increase (decrease) in :		
Noncurrent liabilities and deposits	840	19
Minority interest in consolidated subsidiaries	(242)	(22)
Proceeds from capital stock subscriptions	38	-
Dividends paid to minority	(16)	(36)
Dividends paid to equity holders of Ayala Land, Inc.	(338)	(1,399)
Net cash provided by (used in) financing activities	(434)	(1,928)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	614	(1,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,756	6,360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,370	4,625

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

1. The consolidated financial statements of ALI and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the Philippines, as set forth in Philippine Financial Reporting Standards (PFRSs). Accounting principles/policies and methods of computation applied for the three months ended March 31, 2006 are the same as those applied in the preceding calendar year.

   There was no new accounting standard adopted in the first quarter 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:

	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.	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
CMPI Holdings, Inc.	60
ALI-CII Development Corporation	50
Roxas Land Corporation	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 (LAI)	50
Others:	
ALInet.com, Inc.	100
Food Court Company, Inc.	100

3. Receivables / Payables

Aging of Receivables (as of March 31, 2006; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	3,810	3,240	6,399	430	13,879
Non-Trade Receivables	2,518	94	860	0	3,472
Total	6,328	3,334	7,259	430	17,351

Aging of Payables (as of March 31, 2006; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	4,294	456	560	0	5,310
Non-Trade Payables	4,202	369	3,519	0	8,090
Total	8,496	825	4,079	0	13,400

4. Short-Term and Long-Term Debt

Short-Term Debt (as of March 31, 2006; in Million Pesos)

Borrower	Amount
AGDC	253.0
API	44.0
Avida	590.0
LAI	298.5
SSECC	125.0
Total	1,310.5

Long-Term Debt (as of March 31, 2006; in Million Pesos / US$)

	Current		Non-Current		Total	
Borrower	Peso *	US$	Peso *	US$	Peso *	US$
ALI (incl. bonds)	125.0		5,584.7		5,709.7	
AGDC	51.7		51.7		103.4	
Avida	243.6		259.6		503.2	
CIHC	47.9		77.8		125.7	
SSECC	150.0		1,741.5		1,891.5	
MPVI	146.2	2.9	216.2	4.2	362.4	7.1
Total	764.4	2.9	7,931.5	4.2	8,695.9	7.1

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

Issuances, Repurchases and Repayments of Debt and Equity Securities

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

Borrower	Amount	Nature
ALI	4.7	issuance of bonds
AGDC	203.0	renewal of short-term loans
API	29.0	renewal of short-term loan
Avida	1,585.0	renewal of short-term loans
LAI	495.5	renewal of short-term loan and new short-term loans
SSECC	225.0	renewal of short-term loan and new short-term loans
Total	2,542.2	

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

Borrower	Amount	Nature
ALI	411.7	payment of matured long-term and short-term loans, and prepayment of FXCNs
AGDC	203.0	payment of matured short-term loans
API	29.0	payment of matured short-term loan
Avida	1,945.9	payment of matured short-term loans and amortization on long-term loans
CIHCI	12.0	amortization on long-term loans
LAI	437.0	payment of matured short-term loans
MPVI	73.2	amortization on US$ loan
SSECC	130.0	amortization on long-term loans and payment of matured short-term loan
Total	3,241.7	

5. Commercial Paper Issuances and Outstanding Balance
   (for the quarter ended March 31, 2006)

   None.

6. Accounts and Other Payables

The accounts and other payables as of March 31, 2006 is broken down as follows:

	(million)
Accounts payable	P 5,371
Accrued expenses	2,706
Taxes payable	784
Dividends payable	4
Retentions payable	41
Total	P 8,906

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

Income Statement items – 1Q 2006 versus 1Q 2005

16% increase in real estate revenues
Primarily due to higher revenues from shopping centers, residential developments and sale of office building units.

14% increase in hotel operations revenues
Mainly due to higher occupancy and room rates across all Company-owned hotels/serviced apartments.

74% 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.

7% increase in real estate costs and expenses
Mainly due to higher real estate revenues.

14% increase in hotel operations costs and expenses
Mainly due to higher revenues from hotel operations.

18% decline in general and administrative expenses
Primarily due to lesser stock options which vested in 2006 as some stock options granted in prior years have already fully vested in 2005 (under the new PAS/PFRS, stock options are accounted upon vesting).

88% 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 1Q2005.

19% 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 1Q2006.

46% increase in net income attributable to minority interests
Largely due to increased income of Ayala Hotels, Inc., Serendra, Inc., and Roxas Land Corporation.

Balance Sheet items – March 31, 2006 versus End-2005

9% increase in cash and cash equivalents
Mainly due to proceeds from the bulk sale of Avida's installment receivables, partly offset by ALI's payment of bank loans.

10% 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.

6% increase in real estate inventories
Primarily due to construction accomplishment at residential building projects and continued development of residential subdivision projects.

66% increase in other current assets
Mainly due to higher creditable withholding taxes, input VAT, and prepaid real property tax.

12% decrease in non-current accounts and notes receivable
Largely due to the bulk sale of Avida's installment receivables.

7% increase in available-for-sale financial assets
Primarily due to revaluation of club shares owned by Ayala Hotels, Inc.

7% increase in deferred tax assets
Mainly due to higher unrealized gain on real estate sales given new sales in projects which are still under construction.

10% increase in other non-current assets
Largely due to advances and pre-operating expenses incurred for pipeline projects.

13% increase in accounts and other payables
Primarily due to higher payables to suppliers and contractors for various projects.

8% decrease in short-term debt
Largely due to payment of short-term loans.

166% 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.

6% decrease in current portion of long-term debt
Largely due to payment of long-term loans.

19% decline in current portion of estimated liability for land and property development
Primarily due to construction accomplishment at various projects.

8% decrease in current portion of unrealized gain on real estate sales
Primarily due to construction accomplishment at existing projects.

36% decline in other current liabilities
Mainly due to lower deposits from shopping center and office tenants, and residential buyers.

7% decline in long-term debt (net of current portion)
Largely due to payment of long-term loans.

54% 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.

6% increase in deferred tax liabilities
Largely due to higher capitalized interest.

54% increase in non-current portion of unrealized gain on real estate sales
Primarily due to new sales at existing and new projects which are still under construction.

9% decline in non-current portion of estimated liability for land and property development
Mainly due to construction accomplishment at various projects.

8. Segment information

YTD-March 2006 (in million pesos)	Shopping Centers	Services	Corporate Business	Residential Development	Landbank	Vismin	Corporate	Total	Consolidation adjustment	TOTAL
Revenues	1,048	1,812	314	2,480	74	47	885	6,660	(1,204)	**5,456**
Operating Expenses	311	1,418	134	1,924	39	42	233	4,101	(907)	**3,194**
Earnings before interest,taxes,depreciation and amortization (EBITDA)	737	394	180	556	35	5	652	2,559	(297)	**2,262**
Depreciation and amortization	153	65	28	14	0	0	17	277	0	**277**
EBIT	584	329	152	542	35	5	635	2,282	(297)	**1,985**
Segment Assets	18,521	8,220	9,861	43,854	12,609	3,394	3,214	99,673	(21,822)	**77,851**
Deferred tax assets	3	116	6	54	0	0	639	818	0	**818**
Total assets	18,524	8,336	9,867	43,908	12,609	3,394	3,853	100,491	(21,822)	**78,669**
Segment additions to property and equipment	44	47	0	6	0	0	164	261	0	**261**
Segment liabilities	4,152	3,128	670	15,427	2,081	193	9,825	35,476	(3,497)	**31,979**
Deferred tax liabilities	0	7	0	283	0	0	0	290	0	**290**
Total liabilities	4,152	3,135	670	15,710	2,081	193	9,825	35,766	(3,497)	**32,269**

YTD-March 2005 (in million pesos)	Shopping Centers	Services	Corporate Business	Residential Development	Landbank	Vismin	Corporate	Total	Consolidation Adjustment	TOTAL
Revenues	954	2,303	180	1,916	58	55	2,697	8,163	(1,257)	6,905
Operating Expenses	317	1,961	100	1,604	43	42	232	4,299	(1,192)	3,107
Earnings before interest,taxes,depreciation and amortization (EBITDA)	637	342	80	312	15	13	2,465	3,864	(65)	3,798
Depreciation and amortization	126	48	16	20	1	0	38	249	0	249
EBIT	511	294	64	292	14	13	2,427	3,615	(65)	3,549
Segment Assets	16,078	7,998	9,510	41,031	12,081	3,097	9,377	99,172	(22,866)	76,306
Deferred tax assets	2	146	0	51	0	0	160	359	0	359
Total assets	16,080	8,144	9,510	41,082	12,081	3,097	9,537	99,531	(22,866)	76,665
Segment additions to property and equipment	1,564	50	266	12	0	0	18	1,911	0	1,911
Segment liabilities	3,809	3,442	1,737	14,437	757	266	11,157	35,605	4,588	31,017
Deferred tax liabilities	0	(49)	0	31	216	0	661	859	0	859
Total liabilities	3,809	3,393	1,737	14,468	973	266	11,818	36,464	4,588	31,876

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

Results of Operations for the Three Months Ended March 31, 2006

Riding on the market upturn, Ayala Land posted revenues of Php 5.46 billion in the first quarter of 2006. These were 21% lower than the same period last year due to the Php 2.59 billion gain from the sale in March 2005 of the company's interest in preferred redeemable shares of Astoria Investment Ventures, Inc. (AIVI), the holding company for its investment in the MRT-3 rail project. Stripping out the gain from the sale of AIVI shares in 1Q05, revenues actually grew by 26% year-on-year from Php 4.32 billion.

Net income (attributable to equity holders of Ayala Land) amounted to Php1.18 billion, a 1% growth over the Php 1.16 billion reported in the same period last year, which included the Php 608 million net gain (after provisions) from the AIVI transaction. Without the gain from the AIVI transaction in 2005, net income for the first quarter this year effectively grew 112% from the Php 554 million posted in the previous year.

"The results for the first quarter reaffirm the company's strong position in the market. Given robust first quarter sales, we are on track to launch new projects and phases.", stated Jaime I. Ayala, President and Chief Executive Officer. Projects scheduled to be launched during the year include the Celadon condominium of Community Innovations, Inc., the second tower of The Columns at Legazpi Village, the third tower of The Residences at Greenbelt, as well as new phases in Ayala Westgrove Heights and Serendra.

Business Segments

The bulk of ALI's revenues came from the Residential Development business at 43% of total, followed by Shopping Centers at 18%. Hotels, a support business, contributed 9%. Collectively, Support Businesses which include hotels, construction, property management and waterworks contributed 19% to consolidated revenues.

Residential Development

ALI's Residential Development business reported a sales volume of 894 units in 1Q06, 209 units or 31% more than the same period last year. Avida Land continued to contribute the bulk of unit sales, with 520 units or 58% of total. Community Innovations and Ayala Land Premier's (ALP) high-end lots and high-rise projects followed with over 140 units each. Anvaya Cove, ALI's first Leisure project, added 81 units/shares.

With strong sales volume, revenues from residential developments amounted to Php 2.35 billion, a 28% growth y-o-y. ALP (high-end lots and units, including Leisure) contributed the majority at Php 1.18 billion (+13% y-o-y) or 22% of total consolidated revenues. During the quarter, additional phases at Ayala Westgrove Heights (42 lots) and Ayala Greenfield Estates (65 lots) were launched. Anvaya Cove, launched in mid-2005, continues to enjoy strong demand with 57% of the initial offering of 237 lots and 654 shares taken-up as of end-March. During the quarter, ALI launched 17 high-end villas. The Residences at Greenbelt's San Lorenzo Tower sold an additional 37 units during the quarter.

The most impressive revenue growth was registered by Community Innovations at 67% to Php 630 million on the back of construction accomplishment at Two Serendra and in the three towers of The Columns at Ayala Avenue (98% take-up as of end-March). The three towers are expected to be completed a year after the other, with the first tower scheduled for completion this year. Brisk sales at The Columns at Legazpi Village and Celadon Residences with take-up rates at 45% and 63%, respectively will significantly boost revenues as construction progresses. Community Innovations contributed 11% to total consolidated revenues.

Avida Land's high-rise projects continued to generate market interest. The first tower of Avida Towers San Lazaro, with 390 units, was offered for sale in December 2005 and ended the quarter with a 96% take-up. The second tower, consisting of 392 units, was launched in April. Meanwhile, the three towers of Avida Towers Sucat (formerly known as One Aeropolis) had a combined take-up of 95% by end-March while the two towers of Avida Towers New Manila (formerly Aeropolis Two) had 75 additional units taken-up during the quarter. For its horizontal projects, a new phase with 335 units was launched in San Antonio Heights in Batangas while remaining inventory at existing projects continue to be sold. Avida's revenue contribution amounted to Php 533 million, 30% more than 1Q05 and accounted for 10% of total consolidated revenues.

The Residential Development business contributed Php 611 million or 35% of total Net Operating Income (NOI). NOI margin increased by 5 percentage points to 26% due to the large contribution of premium-priced The Residences at Greenbelt and One Serendra, as well as price increase at Ayala Westgrove Heights.

Shopping Centers

Despite political and economic uncertainties, revenues from Shopping Centers reached Php 955 million, 13% higher than the same period last year. The increase was partly due to higher average occupancy rate of 95% from 90% in 1Q05. Ayala Center in Makati and Alabang Town Center both enjoyed increased occupancy rates of 98% and 99%, respectively. At Market! Market!, average occupancy improved to 85% (from 61% in 1Q05) simultaneous with an increase in pedestrian count. A strategy is in place to further drive occupancy, improve merchant sales and enhance customer service.

Also pushing revenues higher were basic rent increases of 8-12% and higher leasable area. Retail leasable area totaled 729,000 sqms, up from 698,000 sqms at the end of 1Q05. Phase 1B of Market! Market! (opened in October 2005), as well as additional space from PeopleSupport and Convergys retail areas, offset the closure of Greenbelt Parkway in 4Q05 which is being redeveloped as Greenbelt 5.

Construction and leasing activities for the company's four new retail developments, with total leasable area of about 247,000 sqms are on track and will significantly boost revenues when completed. The retail portion at Serendra and the new retail development at Bonifacio Global City will open later in the year, with Tri Noma scheduled to open in 2007 and Greenbelt 5 in 2008.

Shopping Centers contributed Php 577 million or 33% of total NOI. NOI margin was maintained at 60%, despite lower margin at Market! Market!, on the back of continued efforts to lower operating expenses, largely electricity costs.

Corporate Business

Corporate Business' revenues jumped 75% y-o-y to Php 298 million and contributed 5% to total consolidated revenues. This is largely attributed to the sale of one floor of office space, consisting of 1,407 sqms, at Ayala Life-FGU Makati and the contribution of ALI's three BPO buildings, all of which enjoy 100% occupancy rates. Meanwhile, traditional office buildings saw an improvement in average occupancy rate at 99%, compared to 90% in 1Q05. At Laguna Technopark, the company was also able to sell two lots with a total area of 1.5 hectares.

Corporate Business' NOI more than doubled to Php 149 million and contributed 9% to total given the sale of office units at Ayala Life FGU Center Makati. This sale, coupled with higher office occupancy rates, pushed NOI margin to 50% from 38% in 1Q05.

Strategic Landbank Management

This business segment saw revenues rise by 29% y-o-y to Php 75 million, 1% of total. Revenues were mostly from ALI's override units at The Columns at Ayala Avenue and at Legazpi Village, as well as Avida projects Sta. Catalina, Sampaguita Village and Avida Towers Sucat. Contribution from carparks within the Makati CBD (outside Ayala Center) and lease of land to gas stations remained minimal.

During the first quarter, master-planning work continued on the company's key parcels in Makati, Bonifacio Global City and Canlubang. The revised master plan for Bonifacio Global City's City Center is scheduled to be formally presented in the coming week.

Strategic Landbank Management contributed Php 35 million to total NOI.

Visayas-Mindanao

Vis-Min revenues were flat at Php 47 million and accounted for 1% of consolidated revenues. Despite higher sales bookings at Plantazionne Verdana Homes, at 39 units versus 22 units in 1Q05, minimal development completion in the latest phase resulted in low revenue recognition. Sales bookings at Ayala Northpoint were flat.

Expansion of Ayala Center Cebu, involving a total of 13,500 sqms, will commence in June for completion in 2007.

NOI contribution from this business line amounted Php 7 million with NOI margin about the same at 16%.

Support Businesses

Hotel revenues saw a 14% improvement to Php 484 million on the back of a 4 percentage point improvement in average occupancy rate to 87%, with revenues per available room averaging at about Php 3,700, up by 14% compared to 1Q05 average. However, construction saw a 39% drop in revenues to Php 316 million with the completion of Phase 1B of Market! Market! in 2005.

Ayala Property Management Corporation's revenue contribution was relatively flat at Php 141 million, while waterworks' revenue contribution increased 11% to Php 76 million due to higher rates.

As a whole, the Support Businesses contributed Php 1.02 billion or 19% to total revenues.

In terms of NOI, hotels contributed Php 173 million, followed by construction with Php 84 million. Property management and waterworks contributed Php 76 million and Php 17 million, respectively.

The NOI margin of the Support Businesses improved to 34% from 28% in 1Q05 given the increased contribution of higher-margin hotels and construction cost efficiencies.

Equity in Net Earnings, Interest and Other Income

Equity in Net Earnings, Interest and Other Income accounted for 13% of total consolidated revenues and amounted to Php 716 million in 1Q06, down from Php 2.80 billion in 1Q05 which included the Php 2.59 billion gain from the AIVI share sale. During the first quarter of 2006, ALI booked a Php 483 million gain (before tax) from the sale of Bridgebury shares negotiated in December last year. With the sale of Php 1.2 billion worth of receivables to GMAC in January 2006, interest income was likewise lower. Equity in net earnings of affiliates, primarily from Cebu Holdings, Inc. and Alabang Commercial Corporation, amounted to Php 56 million, more than double the Php 20 million posted in 1Q05. Cebu Holdings accounted for most of the increase, with 1Q06 net income of Php 74 million significantly higher than the Php 29 million registered in the previous year.

Expenses

Total costs and expenses amounted to Php 4.18 billion during the quarter, 26% lower than the amount incurred during the same period last year. Direct costs and expenses of ALI's business units amounted to Php 3.01 billion, a slower growth of only 8% versus the 15% growth in revenues from these businesses given continued efforts to cut down costs.

Interest and financing charges stood at Php 220 million, significantly lower compared to Php 1.91 billion last year due to the Php 1.6 billion provision in 1Q05 for the decline in value of assets intended to be sold.

General and Administrative Expenses were reduced by 18% to Php 461 million mainly due to lesser stock options which vested in 1Q06 as some options granted in prior years have fully vested in 2005. Provision for Income Tax was 19% higher y-o-y at Php 485 million due to capital gains on AIVI transaction in 1Q05 (subjected to final tax at lower rate) and higher corporate income tax rate in 1Q206.

Project and Capital Expenditures

ALI's project and capital expenditures amounted to Php 2.7 billion during the first quarter, about 17% of the P16.1 billion budget for the whole year. Close to half or Php 1.3 billion was spent on residential projects that include The Residences at Greenbelt, Serendra, The Columns at Ayala Avenue and Legazpi Village, and the Avida Towers in Sucat, New Manila and San Lazaro. The construction of commercial centers, mainly Tri Noma and Greenbelt 5, accounted for about Php 1.2 billion of expenditures during the quarter.

We expect project and capital expenditures to accelerate in succeeding quarters as we proceed with construction works for existing, as well as newly launched projects.

Financial Condition

Overall, ALI's balance sheet remained strong with current ratio at 1.73:1 and debt-to-equity ratio at 0.25:1.

Cash and Cash Equivalents stood at Php 7.37 billion as of March 31, 2006, up 9% from end-2005 level. Proceeds from the sale of Avida's Php 1.2 billion receivables in January, as well as cash flow from operations enabled the company to finance project and capital expenditures even as ALI further pared down its debt to Php 10.0 billion from Php 10.7 billion as of the end of 2005. As a result, net debt was significantly lower by 34% at Php 2.64 billion, compared to end-2005 level of Php 3.97 billion, resulting to a net debt-to-equity ratio of 0.07:1.

PART II - OTHER INFORMATION

Item 3. 1Q 2006 Developments

A. New project or investments in another line of business or corporation	None.
B. Composition of Board of Directors (as of March 31, 2006)	Fernando Zobel de Ayala — Chairman Jaime Augusto Zobel de Ayala II — Vice Chairman Jaime I. Ayala — President & CEO Mercedita S. Nolledo — Corp. Secretary Delfin L. Lazaro — Director Leandro Y. Locsin, Jr. — Director Aurelio R. Montinola III — Director Corazon dela Paz * — Director Ramon R. del Rosario, Jr. — Director ** Elected during the company's April 5, 2006 Stockholders' Meeting*
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 March 31, 2006, stock options outstanding* are as follows: ESOP 61,345,316 shares ESOWN 19,018,492 shares 80,363,808 shares ** outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued*
G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate	None.

H. Other information, material events or happenings that may have affected or may affect market price of security	None.
I. Transferring of assets, except in normal course of business	None.

Item 4. Other Notes to 1Q 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	None.
L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities	Please see Notes to Financial Statements (Item #4).
M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period	Dividend declaration: P0.03/share regular cash dividend (for 1H06) - Declaration date: May 2, 2006 - Record date: June 1, 2006 - Payment date: June 27, 2006
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	- Bulk sale of P1.2 billion Avida Land receivables in January - Initial issuance of Homestarter Bonds in March
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 quarter of 2006, consolidated project and capital expenditures amounted to P2.7 billion, about 17% of the P16.1 billion budget for the whole year. About half was spent for residential projects, 46% for shopping centers, and the balance for corporate business, strategic landbank management, 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:

	End-March 2006	*End-December 2005*
Current ratio [1]	1.73:1	1.56:1
Debt-to-equity ratio [2]	0.25:1	0.28:1
Net debt-to-equity ratio [3]	0.07:1	0.10:1
	1Q 2006	*FY 2005*
Return on assets [4]	1.5%	4.7%
Return on equity [5]	3.0%	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:

Jaime E. Ysmael
Senior Vice President and Chief Finance Officer

Date: May 12, 2006