

PSE Number: PR-010
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, 2004

(Quarter Ending)

Amended SEC Form 17-Q Quarterly Report

(Form Type)

Part I, Notes to Consolidated Financial Statements (Item 5)

(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, 2004**
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, 2004

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	10,763,147,630

Amount of Debt Outstanding
P14.2 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

TABLE OF CONTENTS

Page No.

PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements

- Consolidated Balance Sheets as of June 30, 2004
and December 31, 2003 1
- Consolidated Statements of Income and Unappropriated
Retained Earnings for the Three Months and Six Months Ended
June 30, 2004 and June 30, 2003 2
- Statement of Changes in Stockholders' Equity for the Six
Months Ended June 30, 2004 and June 30, 2003 3
- Consolidated Statements of Cash Flows for the Six Months
Ended June 30, 2004 and June 30, 2003 4
- Notes to Consolidated Financial Statements 5

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations 12

PART II - OTHER INFORMATION

Item 3. 2Q 2004 Developments 15

Item 4. Other Notes to 1H 2004 Operations and Financials 16

Item 5. Key Performance indicators 18

Signatures 19

PART I – FINANCIAL STATEMENTS

Item 1. Financial Statements

 AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2004 and December 31, 2003

	Unaudited	Audited
	JUN 2004	DEC 2003
(in million pesos)		
ASSETS		
Current Assets		
Cash and cash equivalents	4,179	4,855
Accounts and notes receivables - net	5,531	4,506
Subdivision land for sale	4,029	3,884
Condominium and residential units for sale	3,502	3,264
Deferred tax and other current assets	1,312	995
Total Current Assets	18,552	17,504
Noncurrent Accounts and Notes Receivable	6,835	5,459
Land and Improvements	19,246	19,065
Investments	23,248	22,712
Property and Equipment	1,505	1,514
Other Assets	1,006	758
	70,393	67,012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	4,790	4,023
Loans payable	1,836	1,457
Income tax payable	210	113
Current portion of:		
Long-term debt	1,605	1,336
Estimated liability for land and property development	2,146	2,446
Other current liabilities	349	458
Total Current Liabilities	10,936	9,833
Long-term Debt - net of current portion	10,773	11,588
Noncurrent Liabilities and Deposits	4,077	3,247
Estimated Liability for Land and Property Development	2,257	1,228
Minority Interest	5,893	5,843
Stockholders' Equity	36,457	35,273
	70,393	67,012



AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND UNAPPROPRIATED RETAINED EARNINGS

For the Three Months and Six Months Ended June 30, 2004 and 2003

	2004 Unaudited		2003 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	3,614	6,696	2,340	4,947
Hotel operations	356	736	280	596
Interest and other income	408	637	728	910
	4,378	8,068	3,348	6,453
COSTS AND EXPENSES				
Real estate	2,376	4,334	1,372	2,987
Hotel operations	274	557	255	533
General and administrative expenses	528	928	459	749
Interest and other charges	328	571	656	844
Provision for income tax	308	548	8	210
	3,814	6,938	2,750	5,323
INCOME BEFORE NET EARNINGS APPLICABLE TO MINORITY INTEREST				
	564	1,130	598	1,130
NET EARNINGS APPLICABLE TO MINORITY INTEREST				
	(75)	(45)	5	27
NET INCOME				
	639	1,175	592	1,102
UNAPPROPRIATED RETAINED EARNINGS, BEGINNING				
	15,531	14,995	16,208	15,780
Prior period adjustments - Per SFAS38/IAS38 Intangible Assets (Write-off of Pre-operating Expenses)	-	-	-	(82)
Cash dividends	-	-	(321)	(321)
UNAPPROPRIATED RETAINED EARNINGS, ENDING				
	16,170	16,170	16,479	16,479
EARNINGS PER SHARE*				
		0.11		0.10

* Based on 10,763,422,905 and 10,693,696,793 weighted average number of shares as of June 30, 2004 and 2003, respectively.



AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2004 and 2003

	UNAUDITED	
	January 1 to June 30	
	2004	2003
(in million pesos)		
CAPITAL STOCK - P1 par value		
Issued		
Balance at beginning of year	10,761	10,692
Issuance of shares		
Stock options exercised	1	0
Stock dividends		
Balance at end of the year	10,762	10,692
Subscribed		
Balance at beginning of year	2	2
Issuance of shares		
Stock options exercised (cancelled)	0	0
Stock dividends		
Balance at end of the year	2	2
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	3,526	3,019
Stock options exercised -net	3	7
Balance at end of year	3,529	3,026
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(10)	(17)
Stock options exercised - net	5	6
Balance at end of year	(5)	(11)
	14,287	13,709
RETAINED EARNINGS		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year	14,995	15,780
Prior period adjustments	0	(19)
Cash dividends - P0.03 in 2003	0	(321)
Net income	1,175	1,102
Balance at end of year	16,171	16,543
	22,171	22,543
TREASURY STOCK		
Balance at beginning of year	(1)	(1)
Shares repurchased		
Balance at end of year	(1)	(1)
	36,457	36,252



AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2004 and 2003

	UNAUDITED	
	January 1 to June 31	
	2004	2003
(in million pesos)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,175	1,102
Adj. to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	445	400
Provision for doubtful accounts	14	8
Net earnings applicable to minority interest	(45)	27
Equity in net earnings of affiliates	(61)	(42)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts and notes receivable - trade	(1,866)	(1,108)
Subdivision land for sale	(145)	(29)
Condominium and residential units for sale	(238)	(624)
Deferred tax and other current assets	(317)	(116)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,088	(501)
Other current liabilities	(11)	143
Estimated liability for land and property development	728	1,599
Net cash provided by operating activities	768	861
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of (addition to):		
Land and improvements	(181)	(113)
Investments	(750)	(2,866)
Property and equipment	(147)	(157)
Decrease (increase) in:		
Accounts and notes receivable - non trade	(548)	(564)
Other assets	(263)	(133)
Net cash used by investing activities	(1,889)	(3,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of) short-term loans	379	361
Proceeds from (payment of) long-term debt	(547)	1,105
Dividends paid	(321)	(321)
Increase (decrease) in:		
Noncurrent liabilities and deposits	831	30
Minority interest	95	(56)
Additional issuance of capital stock	8	13
Net cash provided by financing activities	445	1,132
NET INC. (DEC.) IN CASH AND CASH EQUIVALENTS	(676)	(1,840)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	4,855	5,713
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,179	3,873

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, 2004 are the same as those applied in the preceding calendar 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>	
Aklan Holdings, Inc.	100
Amorsedia Development Corporation and subsidiaries	100
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc. (CII)	100
Crimson Field Enterprises, Inc.	100
Food Court Company, Inc.	100
Laguna Properties Holdings, Inc. (LPHI) and subsidiaries	100
MCX Corp.	100
Regent Time International, Limited	100
Red Creek Properties, Inc.	100
Serendra, Inc.	100
Station Square East Commercial Corporation (SSCC)	80
Aurora Properties, Inc. (API)	70
Vesta Property Holdings, Inc.	70
Ayala Realty Development Corporation	65
Laguna Technopark, Inc.	61
CMPI Holdings, Inc.	60
ALI-CII Development Corporation	50
Roxas Land Corporation (RLC)	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

Entertainment:

Five Star Cinema, Inc.	100
Leisure and Allied Industries Phils., Inc (LAIPI)	50

Others:

ALLnet.com, Inc.	100
Ayala Infrastructure Ventures, Inc	100

3. Receivables

Aging of Receivables (as of June 30, 2004; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	1,400	1,077	6,265	617	9,358
Non-Trade Receivables	2,275	283	446	3	3,007
Total	3,675	1,360	6,710	620	12,365

Aging of Payables (as of June 30, 2004; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	1,360	499	773	0	2,632
Non-Trade Payables	2,718	773	3,304	0	6,795
Total	4,078	1,272	4,077	0	9,427

4. Loans Payable and Long-Term Debt

Loans Payable (as of June 30, 2004; in Million Pesos)

<u>Borrower</u>	<u>Amount</u>
ALI	1,123.9
API	44.0
AGDC	183.0
CII	85.0
LAIPI	40.0
LPHI	260.0
RLC	100.0
Total	<u>1,835.9</u>

Long-Term Debt (as of June 30, 2004; 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 (incl. bonds)	1,155.8		7,854.2		9,010.0	
AGDC	25.8		129.2		155.0	
CIHCI	64.0	1.1	32.0	0.6	96.1	1.7
	34.6		161.7		196.3	
LPHI	164.0		724.4		888.4	
SSCC			1,310.0		1,310.0	
MPVI	160.7	2.9	561.2	10.0	721.9	12.9
Total	1,604.9	4.0	10,772.6	10.6	12,377.6	14.6

* *Peso equivalent of US\$ loans (when applicable);*
Exchange rate of P56.176/US\$ (PDS average for June 30, 2004)

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans –
 January – June 2004 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	864.8	STCP, bank loan
AGDC	60.0	bank loan
CII	85.0	bank loan
LPHI	30.0	bank loan
RLC	100.0	bank loan
Total	1,139.8	

Repayments of Debt and Equity Securities –
 January – June 2004 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	1,149.2	STCP payment; loan prepayment & amortization
CIHCI	4.0	amortization on bank loan
	32.0	amortization on US\$ loan *
LPHI	48.5	amortization on bank loan
MPVI	80.3	amortization on US\$ loan *
Total	1,314.0	

* *Amounts converted into Pesos at P56.176/US\$ (PDS average for June 30, 2004)*

5. Commercial Paper Issuances and Outstanding Balance
(as of June 30, 2004; 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)						
BPI Capital Corp.	0.00	90d MART1+0.25%	8/29/2003	8/23/2004	10.00	10.00
Standard Chartered	209.75	90d MART1+0.50%	5/21/2004	5/20/2005	209.75	209.75
SB Capital Investment Corp.	105.00	90d MART1+0.50%	5/21/2004	5/20/2005	105.00	105.00
PCI Capital Corp.	50.00	90d MART1+0.50%	5/21/2004	5/20/2005	50.00	50.00
Sub-total	364.75				374.75	374.75
SHORT TERM (Fixed)						
BPI Capital Corp.	0	Fixed @ 8.1967%	8/29/2003	8/23/2004	249.15	249.15
Sub-total	0				249.15	249.15
TOTAL	364.75				623.90	623.90

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

Income Statement items – 1H 2004 versus 1H 2003

35% increase in real estate revenues

Principally due to higher sales bookings at Ayala Westgrove Heights, Ayala Greenfield Estates, Paseo de Magallanes, Ayala Northpoint, Ayala Hillside Estates, Laguna Technopark and The Residences at Greenbelt (Laguna Tower); sales at the recently-launched Serendra and Verdana Mamplasan; revenue recognition on prior years' sales due to additional construction accomplishment at One Legazpi Park and The Columns; higher mass housing sales due to new projects; higher rental revenues from shopping centers; and higher construction revenues.

23% increase in revenues from hotel operations

Primarily due to higher occupancy and room rates at the Company's hotel properties.

30% decrease in interest and other income

Mainly due to the gain on sale of investment in a landholding company in 2003.

45% increase in real estate cost and expenses

Mainly due to higher real estate revenues and change in revenue/product mix.

24% increase in general and administrative expenses

Primarily due to higher payroll costs, as well as additional expenses from expanding subsidiaries such as Ayala Land Sales, Inc., Community Innovations, Inc. and Serendra, Inc.

32% decrease in interest and other charges

Principally due to the real property tax (RPT) charges in 2003.

161% increase in provision for income tax

Basically due to lower tax in 2003 given the RPT charges.

265% decrease in net earnings applicable to minority interest

Largely due to Roxas Land Corporation's loss which resulted from project cost adjustments.

Balance Sheet items – June 30, 2004 versus End-2003

14% decline in cash and cash equivalents

Mainly due to the upfront cash payment to BCDA for the Serendra project.

23% increase in accounts and notes receivables (current portion)

Primarily due to additional sales from new projects of ALI, Laguna Properties Holdings, Inc. & Community Innovations, Inc. and higher receivables from construction projects of Makati Development Corporation.

7% increase in condominium and residential units for sale

Largely due to construction progress at new residential building projects such as One Legazpi Park, The Residences at Greenbelt (Laguna Tower), The Columns, Montgomery Place and One Aeropolis.

32% increase in deferred tax and other current assets

Mainly due to higher prepaid expenses and creditable withholding taxes of some subsidiaries.

25% increase in non-current accounts and notes receivables

Largely due to increase in installment sales at various projects.

33% increase in other assets

Mainly due to increase in prepaid items.

19% increase in accounts payable and accrued expenses

Primarily due to the additional purchases by ALI and some subsidiaries such as Laguna Properties Holdings, Inc., Ayala Greenfield Development Corporation and Community Innovations, Inc.

26% increase in loans payable

Largely due to new loan availments of ALI, Laguna Properties Holdings, Inc., Ayala Greenfield Development Corporation, Roxas Land Corporation and Community Innovations, Inc.

86% increase in income tax payable

Additional income tax payable mainly due to first semester operations.

20% increase in current portion of long-term debt

Largely due to reclass of maturing principal amortization of long-term debt.

12% decline in current portion of estimated liability for land and property development

Due to increased construction accomplishment at existing residential building projects.

24% decrease in other current liabilities

Due to the decline in payables to a landowner.

7% decline in long-term debt (net of current portion)

Main due to payment and reclass to current of some long-term debt.

26% increase in non-current liabilities and deposits

Due to increase in tenants' deposits at Market! Market! and higher buyers' deposits at new residential projects.

84% 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 2004 <i>(in million Pesos)</i>	Land, Condo- minium and Resd'l Units	Rentals	Hotel Operations	Construction	Others	Total
Revenues	4,157	1,883	736	656	637	8,068
Operating expenses	3,452	600	496	503	322	5,373
Earnings before interest, taxes, depreciation and amort (EBITDA)	705	1,283	239	153	315	2,695
Depreciation and amortization	36	210	94	41	65	445
EBIT	669	1,073	146	112	250	2,250
Segment assets	33,233	16,001	4,686	1,325	15,148	70,393
Segment liabilities	11,005	3,672	3,399	1,053	14,807	33,936

YTD-JUNE 2003 <i>(in million Pesos)</i>	Land, Condo- minium and Resd'l Units	Rentals	Hotel Operations	Construction	Others	Total
Revenues	2,862	1,793	596	291	910	6,453
Operating expenses	2,392	503	479	213	283	3,870
Earnings before interest, taxes, depreciation and amort (EBITDA)	470	1,290	117	78	627	2,582
Depreciation and amortization	23	206	96	39	34	398
EBIT	447	1,085	20	40	593	2,184
Segment assets	32,315	14,060	4,601	1,249	13,053	65,278
Segment liabilities	10,409	1,997	3,354	979	12,351	29,090

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

Results of Operations for the Six Months Ended June 30, 2004

Despite political and economic uncertainties, Ayala Land's performance in the first half of 2004 remained solid. The Company generated P8.07 billion in consolidated revenues, up 25% year-on-year, enabling it to derive a net income of P1.18 billion, up by 7%.

The Company's rental portfolio continued to grow and contributed P1.88 billion or 23% to total revenues. Rental revenues were up 5% year-on-year, driven by robust merchant sales. Ayala Center posted a 10% growth in total sales and a 9% increase in same-store sales while maintaining a high occupancy rate of 94%. From a low base in the first half of 2003 due to the effect of SARS, sales in 2004 received a strong boost from the opening of the SM expansion (4Q2003) and Greenbelt 4 (1Q2004), promotional events including the Lov'emall campaign, continued enhancement of merchant mix, improved pedestrian traffic circulation and, to a certain extent, election-related spending.

This September, the Company will open Phase 1A of Market! Market! to capture a share of the growing market for value shopping. As of end-June, 87% of the 264 regular spaces had been leased out, while 77% of the 676 bazaar spaces had been taken up.

Office leasing remained resilient as seen in the high 94% average occupancy rate enjoyed by the Company's office buildings. Ayala Land continued to carve a niche in the build-to-suit IT facilities market segment. In addition to PeopleSupport Center which started construction in the first quarter, the Company recently broke ground for its second building fully dedicated to Business Process Outsourcing (BPO) operations. Also located within the Makati Central Business District (MCBD), the project will have 14,300 sqms of office leasable area. PeopleSupport will be completed by April 2005 while the second BPO-dedicated building will be ready for use by October next year.

High end residential unit sales almost doubled from last year's level and amounted to P 1.41 billion or 17% of total revenues. The substantial increase is largely due to 53 units booked at the 48-storey The Residences at Greenbelt which was 9% complete and 78% taken up as of end-June. The sale of nearly P500 million worth of receivables from nearby One Legazpi Park also paved the way for the accelerated revenue booking of installment sales. As of end June, this residential condominium project was 68% complete and nearly fully taken up.

A third phase of Montgomery Place, The Legacy, consisting of 27 out of a total of 71 single-detached units, was launched in June. Total product offering to date consisted of 297 townhouse and single detached units, 88% of which were taken up as of the end of the second quarter. The 586-unit initial phase of Serendra, launched in March, started to contribute to revenues in the second quarter. With an encouraging take up of 54%, launch of Serendra's second phase is being accelerated to August and October for Districts 1 and 2, respectively.

Revenues from land sales posted a healthy increase of 15% to P1.27 billion, and accounted for 16% of consolidated revenues. Additional lot offerings at Ayala Westgrove Heights and Ayala Greenfield Estates generated renewed buyer interest and increased sales bookings. During the first half, 184 lots were offered for sale at Westgrove, bringing cumulative offering to 1,513 lots, 84% of which has been taken up as of end-June. At Greenfield Estates, additional 50 lots were launched and brought total offering to 508 lots, 83% of which has been taken up.

Also contributing to the growth in land sales were higher bookings at Ayala Northpoint, Ayala Hillside Estates, Paseo de Magallanes and Laguna Technopark. A 2,997-sqm gas station site in Alabang was sold for P80 million in May as part of the Company's non-strategic asset disposition program.

Notwithstanding the uptick in interest rates, the Company's middle income housing operations, consisting of mass housing and core middle income residential products, continued to perform well.

Laguna Properties Holdings, Inc.'s (LPHI) bookings of mass housing units during the first half totaled 777 units, 39% higher year-on-year. Revenues were up 24% year-on-year and amounted to P1.01 billion or 13% of total revenues. New projects, particularly One Aeropolis in Parañaque and Sta. Arcadia in Cabanatuan, were key contributors to LPHI's improved performance. As of end-June, the initial phase of Sta. Arcadia Estates consisting of 167 housing units and 99 commercial lots were 43% and 16% taken up, respectively. Meanwhile, the 240-unit first tower of One Aeropolis was 98% taken up and 79% complete; the second tower, launched only in November 2003, was 45% sold and 8% complete. Within the third quarter, LPHI will launch two new residential projects: a mid-rise condominium in Quezon City and a residential subdivision in Dasmariñas, Cavite.

Revenues from the sale of core-middle income residential units, through Community Innovations, Inc., amounted to P466 million, representing a 133% year-on-year growth and accounting for 6% of Ayala Land's consolidated revenues. Growth came from higher revenues recognized at high-rise condominium project, The Columns, now under construction in the MCBD, Verdana commercial lots in Cavite, newly-launched Verdana Mamplasan residential subdivision in Laguna and Serendra in Fort Bonifacio. As of end-June, Towers 1, 2 and 3 of The Columns were 99%, 73% and 52% taken up, respectively. Meanwhile, 46% of the 28 Verdana commercial lots and 20% of the 416 Verdana Homes Mamplasan residential lots have been taken up.

Revenues from hotel operations accounted for 9% of first half consolidated revenues and grew by 23% year-on-year to P736 million. The Company's hotels and serviced apartments benefited from higher occupancy and room rates compared to last year. Oakwood Premier Ayala Center and Cebu City Marriott Hotel did better than market, with 83% and 85% occupancy, respectively, well above the 74% average occupancy of MCBD and Cebu hotels. Meanwhile, Hotel InterContinental Manila's occupancy rate was posted at 73%.

Construction projects of Makati Development Corporation contributed P656 million or 8% to total revenues, significantly growing by 125% year-on-year.

Construction revenues from Market! Market!, accounted for much of the increase. As of end-June, Phase1A and 1B of this project were 91% and 32% complete, respectively.

Financial Condition

Ayala Land's financial condition remains sound. Liquidity was well preserved with a cash balance of P4.18 billion and current ratio of 1.70:1 as of end-June 2004. P365 million worth of Short-Term Commercial Papers (STCPs) were issued out of the P2 billion approved STCP line to support funding requirements. This was augmented by the sale of receivables.

Leverage remains comfortable with total borrowings kept at P14.2 billion, resulting to a debt-to-equity and net debt-to-equity ratios of 0.39:1 and 0.28:1, respectively.

Ayala Land disbursed P3.9 billion in consolidated project and capital expenditures for the first six months, about 41% of the P9.5 billion budget for the year. At the parent company level, Ayala Land spent P2.0 billion or 36% of the P5.6 billion budget for 2004. Substantial disbursements were made for key projects such as Market! Market!, Serendra, One Legazpi Park, The Columns and One Aeropolis.

PART II - OTHER INFORMATION

Item 3. 2Q 2004 Developments

- A. New project or investments in another line of business or corporation** None.
- B. Composition of Board of Directors (as of June 30, 2004)**
- | | |
|---------------------------------|---------------|
| Fernando Zobel de Ayala | Chairman |
| Jaime Augusto Zobel de Ayala II | Vice Chairman |
| Francisco H. Licuanan III * | President |
| Mercedita S. Nolloedo * | Director |
| Jaime I. Ayala * | Director |
| Delfin L. Lazaro | Director |
| Leandro Y. Locsin, Jr. | Director |
| Ramon R. del Rosario, Jr. | Director |
| Nieves R. Confesor | Director |
- * Jaime I. Ayala replaced Francisco H. Licuanan III as President effective July 1, 2004; Francisco H. Licuanan III and Mercedita S. Nolloedo retired as Executive Officers of ALI but they remain Members of the Board of Directors*
- 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, 2004, stock options outstanding are as follows:
- | | |
|-------|-------------------------|
| ESOP | 164,986,663 shares |
| ESOWN | <u>1,258,000 shares</u> |
| | 166,244,663 shares |
- G. Acquisition of additional mining claims or other capital assets or patents, formula, real** None.

estate

- 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 1H2004 Operations and Financials

- J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents** Please see Notes to Financial Statements (Item #7).
- K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period** None.
- L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities** Please see Notes to Financial Statements (Item #4).
- M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period** None.
- N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations** None.
- O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date** None.

- | | |
|---|--|
| P. Existence of material contingencies and other material events or transactions during the interim period | None. |
| 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 | <p>For 2004, Ayala Land (parent company) is budgeting P5.6 billion for project and capital expenditures. Consolidated project & capital expenditures is budgeted at P9.5 billion. This will be financed through a combination of internally-generated funds, borrowings and pre-selling.</p> <p>For January to June 2004, Ayala Land (parent company) disbursed P2.0 billion or 36% of the P5.6 billion full year budget. Consolidated project & capital expenditures for 1H2004 totaled P3.9 billion or 41% of the P9.5 billion consolidated budget for the year.</p> |
| 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. A possible increase in interest rates 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 rental portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from retail rental properties due to holiday spending in malls.

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. Key Performance Indicators

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

	<i>End-1H03</i>	<i>End-1H04</i>
Current ratio ¹	1.81:1	1.70:1
Debt-to-equity ratio ²	0.34:1	0.39:1
Net debt-to-equity ratio ³	0.23:1	0.28:1
	<i>1H03</i>	<i>1H04</i>
Return on assets ⁴	1.8%	1.8%
Return on equity ⁵	3.1%	3.3%

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:

Jaime E. Ysmael
Senior Vice President, Chief Finance Officer & Treasurer

Date: July 30, 2004