

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)

March 31, 2003

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

**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, 2003**
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, 2003

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	10,693,696,793

Amount of Debt Outstanding
P 11.3 Billion

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

Stock Exchange: **Philippine Stock Exchange**
Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes No

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

Yes No

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Notes to Consolidated Financial Statements

- The consolidated financial statements are prepared in accordance with generally accepted accounting principles and under the historical cost convention. Accounting principles/policies and methods of computation applied for the three months ended March 31, 2003 are the same as those applied in the preceding calendar year, except for the adoption of SFAS 38/IAS 38 (Intangible Assets) beginning 2003. Under this new SFAS/IAS, pre-operating expenses as of December 31, 2002 applicable to group companies, amounting to a total of P82 million, have been charged against unappropriated retained earnings at the beginning of 2003.

2. Principles of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land, Inc. (ALI) and the following wholly and majority owned subsidiaries:

	<u>Effective Ownership</u>
	(%)
<i>Real Estate:</i>	
Amorsedia Development Corporation and subsidiaries	100
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc.	100
Crimson Field Enterprises, Inc.	100
First South Properties, Inc.	100
Food Court Company, Inc.	100
Laguna Properties Holdings, Inc. (LPHI) and subsidiaries	100
Las Lucas Development Corporation	100
Liberty Real Holdings Corp. (LRHC)	100
Red Creek Properties, Inc.	100
Aurora Properties, Inc. (API)	70
Vesta Property Holdings, Inc.	70
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
<i>Entertainment:</i>	

Five Star Cinema, Inc.	100
Leisure and Allied Industries Phils., Inc (LAIPI)	50
<i>Others:</i>	
ALInet.com, Inc.	100
Ayala Infrastructure Ventures, Inc	100

3. Receivables

Aging of Receivables (as of March 31, 2003; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	2,217	481	3,921	325	6,944
Non-Trade Receivables	456	613	1,149	0	2,218
Total	2,673	1,094	5,070	325	9,162

4. Loans Payable and Long-Term Debt

Loans Payable (as of March 31, 2003; in Million Pesos)

<u>Borrower</u>	<u>Amount</u>
ALI	1,000
API	44
AGDC	143
CIHCI	30
LAIPI	20
LPHI	200
RLC	200
Total	<u>1,637</u>

Long-Term Debt (as of March 31, 2003; 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>
AGDC			85		85	
ALI (incl. Bonds)			7,080		7,080	
CIHCI	61	1.14	92	1.71	153	2.85
			104		104	
LPHI	91		769		860	
LRHC			540		540	
MPVI	153	2.86	689	12.85	842	15.71
Total	<u>305</u>		<u>9,359</u>		<u>9,664</u>	

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

Exchange rate of P53.604/US\$ (PDS average for March 31, 2003)

0 Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans – January – March 2003 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	1,150.0	bank loan
LPHI	5.4	bank loan
LRHC	100.0	bank loan
RLC	<u>75.0</u>	bank loan
Total	<u>1,330.4</u>	

Repayments of Debt and Equity Securities – January – March 2003 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	600.0	payment of loan
AGDC	97.5	amortization/payment on bank loan
CIHCI	30.6	amortization on US\$ loan *
LAIFI	10.0	payment of loan
LPHI	26.6	amortization on bank loan
MPVI	76.7	amortization on US\$ loan *
RLC	<u>100.0</u>	payment of bank loan
Total	<u>941.4</u>	

* Amounts converted into Pesos at P53.604/US\$1 (PDS average for March 31, 2003)

5. 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.

6. Causes for any material changes (+/- 10% or more) in the financial statements

Income Statement items – 1Q 2003 versus 1Q 2002

47% increase in real estate revenues

Principally due to sales of new projects such as Ayala Hillside Estates, Verdana Homes, Plantanzionne, One Legazpi Park, The Columns, new mass housing projects and higher rental revenues from shopping centers given new spaces at Greenbelt 2 & 3 as well as escalation on basic rent.

27% decline in interest and other income

Mainly due to lower average placement rate and average cash balance in 1Q2003.

68% increase in real estate cost and expenses

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

21% increase in general and administrative expenses

Primarily due to higher payroll costs, ad & promo expenses, and additional expenses from new subsidiaries such as Ayala Land Sales, Inc. and Community Innovations, Inc.

12% increase in provision for income tax

Basically due to higher effective income tax rate in 1Q2003.

40% increase in earnings applicable to minority interest

Principally due to improved performance of Roxas Land Corporation, ALI-CII Development Corporation and Ayala Greenfield Development Corporation.

Balance Sheet items – March 31, 2003 versus End-2002

12% increase in condominium and residential units for sale

Primarily due to new residential building projects such as One Legazpi Park and The Columns, as well as new mass housing projects.

29% increase in deferred income tax and other current assets

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

25% increase in non-current accounts and notes receivables

Largely due to increase in sales of Community Innovations, Inc. and shift to longer payment terms by LPHI buyers.

16% decline in notes payable

Principally due to repayment of bank loans.

10% increase in income tax payable

Additional income tax payable mainly due to first quarter operations.

18% increase in estimated liability on land and property development (current portion)

Primarily due to new sales at existing and new projects.

10% increase in other current liabilities

Mainly due additional buyers' deposits for new projects.

92% increase in estimated liability on land and property development (non-current portion)

Primarily due to new sales at existing and new projects.

Cash Flow items – 1Q 3002 versus 1Q 2002

Lower payment of short-term loans

Due to repayment of commercial papers which matured in 1Q 2002.

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

Results of Operations for the Three Months Ended March 31, 2003

The business environment in the first quarter of 2003 remained difficult given heightened concerns over the economic effects of the war in Iraq. Locally, the peso devaluation against the US dollar and expectations of higher interest rates dampened markets. Despite these difficulties, Ayala Land posted a net income of P510 million for the quarter, 2% higher year-on-year. Due to favorable market response to newly launched projects, consolidated revenues grew by 32% year-on-year to P3.1 billion.

The addition of Greenbelt 2 & 3 to shopping center leasable area primarily accounted for the 13% increase in rental revenues to P870 million, representing 28% of first quarter consolidated revenues. A 6%-8% escalation in Ayala Center's basic rent also pulled leasing revenues up. Ayala Center, with a high occupancy rate of 96%, remained the largest contributor to total rental revenues, accounting for 65%. The 28-unit Residences at Greenbelt, already 32% leased out, also started to contribute to lease income. Despite continued pressure on office rental rates, the Company's office buildings kept lease rates at above-market levels while maintaining high occupancy rates averaging at 96%, higher than Makati Central Business District's 86% average for the quarter.

New residential subdivision projects, specifically Ayala Hillside Estates and Plantazionne Verdana Homes, caused land sales revenues to reach P585 million, more than double last year's level, accounting for 19% of total revenues. Launched in September 2002, Phase 1 of Ayala Hillside Estates offered 93 lots, 55 of which are ALI's share. As of the end of the first quarter, ALI-owned lots have been 95% taken up. Plantazionne Verdana Homes in Bacolod was also well-received, with 38% take-up on the 159-lot initial offering made in October 2002. Ayala South developments Ayala Westgrove Heights and Ayala Greenfield Estates continued to sell at a steady pace. At the end of March, 82% of 1,188 Westgrove lots and 66% of 458 Greenfield lots have been taken up. Also accounting for the significant increase in land sales was the sale of two lots at the Madrigal Business Park, with an aggregate area of 2,495 square meters.

The successful launch of new projects by Laguna Properties Holdings, Inc. saw mass housing revenues more than triple last year's first quarter level, registering at P460 million or 15% of consolidated revenues. Booked sales totaled 256 units, 94% higher than the 132 units booked in the first quarter of 2002. Sta. Catalina Village in Dasmariñas, Cavite offered 477 units in 2002 which as of end-March 2003 posted a 87% take-up rate. Villa Sta. Monica and Hacienda Sta. Monica in Lipa, Batangas were equally well-received, with 49% of 497 residential/farm lots taken up.

Residential unit sales, mainly from high-end condominium and townhomes projects, contributed P409 million or 13% of consolidated revenues. This represents a 136% growth year-on-year, mainly coming from sales at One Roxas Triangle and One Legazpi Park, which at the end of the first quarter were 65% and 83% taken up, respectively. Higher sales at Montgomery Place due to the launch of an additional phase in September 2002 and the recognition of additional percentage of completion on prior

year's sales also contributed to growth in residential unit sales. By the end of March, 80% of the 270 units at Montgomery Place had been taken up. Take-up of the 154 house-and-lot units and 142 lots at Ferndale Homes were 73% and 75%, respectively.

Continuing pressure on hotel room rates brought revenues from hotel operations down to P316 million, slightly lower than last year's first quarter level, representing 10% of consolidated revenues. The Company's hotel portfolio, however, posted occupancy rates higher than industry average. Hotel Intercontinental Manila and Oakwood Premier Ayala Center yielded occupancy rates of 68% and 70%, respectively, higher than MCBD's average of 66%. Cebu City Marriott Hotel posted a high occupancy rate of 72% versus Cebu hotels' market average of 58%.

Revenues from construction projects of Makati Development Corporation contributed P206 million or 7% to consolidated revenues. This is 48% lower year-on-year mainly due to completion of most projects in 2002.

Two core-middle income housing projects launched by Community Innovations, Inc. in 2002 yielded P77 million in revenues, or 2% of total. At the end of the first quarter, Verdana Homes' 468 lots and 88 house-and-lots were 99% and 74% taken up, respectively. The Columns, soft launched in November 2002, posted a 93% take-up rate for its first 284-unit tower, prompting the launch of a second tower in March 2003.

Financial Condition

A solid financial position enabled the Company to launch new projects and pursue expansion plans. As of end-March, Ayala Land's total assets stood at P63.8 billion while stockholders' equity was at P35.9 billion, higher by 3.2% and 1.2%, respectively, compared to their end-2002 levels. Liquidity and solvency remained strong with current, debt-to-equity and net debt-to-equity ratios of 2.22:1, 0.31:1 and 0.15:1 respectively.

Reflective of the Company's strong credit standing, Ayala Land's application to issue short-term commercial papers (STCPs) worth P1 billion has been approved by the Securities and Exchange Commission in April 2003. This planned STCP issuance has been given by Philratings a PRS1 rating, its highest rating possible on short-term scale. Philratings upgraded its rating for Ayala Land's P3 billion bonds issued in April 2002 from PRS Aa to PRS Aaa, also its highest rating on the long-term scale.

During the first three months, the Company disbursed 10% of the P7.9 billion project & capital expenditures earmarked for 2003. About 43% of the first quarter's actual expenditures was spent for the development of high-end residential buildings while 31% was used for equity investments. The rest were spent for shopping center development, residential subdivisions, and office building upgrades.

Looking ahead

For the rest of the year, Ayala Land has lined up a number of undertakings to fortify its leading position in the real estate industry. Very recently, the Company, together with Greenfield Development Corporation, finalized the acquisition of a 50.38% stake in Bonifacio Land Corporation. Aside from assuring prime inventory over the long-term, the acquisition provides the Company an ideal vehicle to replicate its success in the Makati Central Business District.

The Company will bring to the market additional inventory of prime residential products in new projects such as Tamarind Cove in Alabang, Country Estates in Cebu, and another residential building project within Makati, as well as existing projects, such as Ayala Hillside Estates, Paseo de Magallanes, Ayala Westgrove Heights, Ayala Greenfield Estates and Montgomery Place. Plans are being finalized for new project launches by Laguna Properties Holdings and Community Innovations.

Given its firm resource base and diverse product line, Ayala Land stands ready to respond to market opportunity and pursue every available avenues for growth.

PART II - OTHER INFORMATION

Item 3. 1Q 2003 Developments

- A. New project or investments in another line of business or corporation** None.
- B. Composition of Board of Directors**
- | | |
|---------------------------------|---------------|
| Fernando Zobel de Ayala | Chairman |
| Jaime Augusto Zobel de Ayala II | Vice Chairman |
| Francisco H. Licuanan III | President |
| Mercedita S. Nollo | Director |
| Delfin T. Lazaro | Director |
| Leandro Y. Locsin, Jr. | Director |
| Ramon R. del Rosario, Jr. | Director |
| Aurelio R. Montinola III | Director |
| Nieves R. Confesor | Director |
- C. Performance of the corporation or result/progress of operations** Please see unaudited consolidated financial statements.
- 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 March 31, 2003, stock options outstanding are as follows:
- | | |
|-------|------------------|
| ESOP | 105,399,374 |
| ESOWN | <u>2,141,000</u> |
| | 107,540,374 |
- G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate** None.
- H. Other information, material events or happenings that 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 2003 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 #6). |
| 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 | <p><i>April 10, 2003</i>
The Securities and Exchange Commission approved ALI's application to issue short-term commercial papers amounting to P1 billion.</p> <p><i>April 17, 2003</i>
ALI/Greenfield finalized deal for the acquisition of 50.38% stake in Bonifacio Land Corporation.</p> |
| 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. Material commitments for capital expenditures, general purpose and expected sources of funds**
- For 2003, Ayala Land is budgeting P7.9 billion for project and capital expenditures. This will be financed through a combination of internally-generated funds, borrowings and pre-selling. For the first quarter of 2003, the Company disbursed 10% of the full year budget.
- R. 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. Concerns about job security and possible rise in interest rates are factors which may affect the performance of the real estate industry, including the Company.
- S. Significant elements of income or loss that did not arise from continuing operations**
- None.
- T. 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 #6).
- U. Seasonal aspects that had material effect on the financial condition or results of operations**
- None.
- V. Disclosures not made under SEC Form 17-C**
- None.

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

Date: May 8, 2003