

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(Amounts in Thousands of Pesos)*

**ANNEX A**

	<b>September 30, 2006</b>	DECEMBER 31, 2005
	<b>UNAUDITED</b>	AUDITED
<b>ASSETS</b>		
Cash and cash equivalents	6,470,962	4,828,787
Receivables	6,915,903	6,640,980
Loans and receivables	13,252,827	10,066,065
Subdivision lots, condominium and residential units for sale	8,808,551	7,704,657
Investments	8,177,257	7,428,541
Land and land development	18,542,904	18,242,261
Investment properties	21,698,265	22,233,955
Property and equipment - net	723,465	1,036,731
Other assets	4,813,570	4,932,990
<b>TOTAL ASSETS</b>	<b>89,403,703</b>	<b>83,114,967</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Deposit liabilities	23,778,978	19,995,911
Accounts payable and accrued expenses	6,903,868	5,393,861
Income tax payable	-	275
Deferred tax liabilities	6,417,006	5,947,400
Long-term debt	12,757,830	11,562,549
Unrealized gross profit on installment sales	393,357	326,100
Estimated liability for land and property development	1,713,472	1,237,819
<b>Total Liabilities</b>	<b>51,964,510</b>	<b>44,463,915</b>
<b>Equity</b>		
Capital stock issued and outstanding	5,958,124	5,958,124
Additional paid-in capital	2,099,874	2,099,874
Revaluation increment	8,208,769	8,396,411
Retained earnings	12,686,819	11,922,489
Revaluation reserve of AFS financial assets	218,527	235,004
Reciprocal holdings in an associate	-	-
Treasury stock	(24,220)	(24,220)
Minority interest	8,291,300	10,063,370
<b>Total Equity</b>	<b>37,439,193</b>	<b>38,651,052</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>89,403,703</b>	<b>83,114,967</b>

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(In Thousands of Pesos except EPS)

ANNEX B

	3RD QUARTER		YEAR-TO-DATE	
	2006 (Unaudited)	2005	September 30, 2006 (Unaudited)	September 30, 2005
<b>REVENUES</b>				
<b>Real Estate</b>				
Sale of lots, condominiums, residential units, and club shares	1,031,030	742,826	2,266,022	2,060,070
Cost of sale	(400,161)	(361,884)	(963,882)	(949,338)
Gross Profit	630,869	380,942	1,302,140	1,110,732
Realized (Deferred) gross profit on prior (current) years ' sales	(33,516)	61,979	(60,251)	(12,850)
Mall and rental revenues	266,553	243,041	829,478	714,317
Other income	452,960	244,011	979,937	753,238
	1,316,867	929,973	3,051,303	2,565,437
<b>Financial and Banking</b>				
Interest income	478,025	513,825	1,390,390	1,377,301
Other income	77,618	87,817	362,193	255,676
Cost of services	(291,900)	(306,789)	(846,106)	(865,870)
	263,743	294,853	906,477	767,107
<b>NET REVENUES</b>	<b>1,580,610</b>	<b>1,224,826</b>	<b>3,957,780</b>	<b>3,332,544</b>
<b>Operating expenses</b>				
Real estate	591,254	590,715	1,737,599	1,692,744
Financial and banking	305,219	300,464	882,808	802,166
	896,473	891,179	2,620,407	2,494,910
<b>INCOME BEFORE PROVISION FOR INCOME TAX</b>	<b>684,137</b>	<b>333,647</b>	<b>1,337,373</b>	<b>837,634</b>
Provision for income tax	(116,331)	(109,860)	(248,947)	(211,904)
<b>NET INCOME</b>	<b>567,806</b>	<b>223,787</b>	<b>1,088,426</b>	<b>625,730</b>
<b>Attributable to:</b>				
Equity holders of the parent company	456,421	91,908	764,330	383,686
Minority interest	111,385	131,878	324,096	242,043
Earnings Per Share (EPS) - Annualized (Applicable to equity holders of the parent company)				
a. Net Income (nine months)			764,330	383,686
b. Net Income Annualized (a/9 months) x 12			1,019,107	511,581
c. Weighted average number of outstanding common shares			5,955,725	5,955,725
d. EPS (b/c)			0.1711	0.0859

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(In Thousands of Pesos)*

**ANNEX C**

**Nine months ended Sept 30 - UNAUDITED**  
**2006**                      **2005**

<b>CAPITAL STOCK - P1 par value</b>		
Preferred - cumulative		
Authorized - 2,000,000 shares		
Common		
Authorized - 8,000,000 shares		
<b>Issued - 5,958,123,852 shares</b>	5,958,124	5,958,124
<b>ADDITIONAL PAID-IN CAPITAL</b>	2,099,874	2,099,874
<b>REVALUATION INCREMENT</b>	8,208,769	8,151,822
<b>RETAINED EARNINGS</b>	12,686,819	11,540,319
<b>Revaluation reserve of AFS assets</b>	218,527	278,385
<b>TREASURY STOCK - at cost of 2,398,400</b>		
Common shares	(24,220)	(24,220)
<b>Minority Interest</b>	8,291,300	10,478,920
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>37,439,193</b>	<b>38,483,224</b>

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**FILINVEST DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In Thousands of Pesos)*

**ANNEX D**

	<b>Nine months ended September 30</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>1,337,373</b>	837,634
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest expense	<b>545,196</b>	583,060
Interest income	<b>(561,738)</b>	(538,618)
Retirement cost	<b>11,874</b>	2,822
Restatement of investment to FV	<b>(16,477)</b>	(198,997)
Depreciation and amortization	<b>300,554</b>	285,507
Operating income before changes in operating assets and liabilities	<b>1,616,782</b>	971,408
Changes in operating assets and liabilities		
Decrease (increase) in assets:		
Receivables	<b>(3,461,686)</b>	(1,875,469)
Subdivision lots, condominiums, and residential units for sale	<b>(1,103,894)</b>	126,168
Land and land development	<b>(300,643)</b>	(628,237)
Other assets	<b>280,338</b>	(1,081,617)
Increase (decrease) in liabilities:		
Deposit liabilities	<b>3,783,066</b>	3,174,759
Accounts payable and accruals	<b>1,510,007</b>	435,519
Estimated liability for land and land development	<b>475,652</b>	307,182
Unrealized gross profit on installment sales	<b>67,257</b>	68,249
Net cash provided from operations	<b>2,866,881</b>	1,497,962
Interest received	<b>549,325</b>	538,618
Interest paid	<b>(933,229)</b>	583,060
Income tax paid	<b>(10,445)</b>	-
Net cash provided by operating activities	<b>2,472,531</b>	2,619,640
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (increase) decrease in investments	<b>(1,486,953)</b>	(2,780,950)
Net (increase) decrease in property and equipment	<b>661,314</b>	(419,776)
Net cash used in investing activities	<b>(825,639)</b>	(3,200,726)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from availment (payment) of loans	<b>(4,719)</b>	1,191,154
Net cash provided by (used in) financing activities	<b>(4,719)</b>	1,191,154
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,642,174</b>	610,068
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b>4,828,788</b>	3,314,702
<b>CASH AND CASH EQUIVALENTS, September 30</b>	<b>6,470,962</b>	3,924,770

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES  
 FINANCIAL INFORMATION ON OPERATIONS OF BUSINESS SEGMENTS  
 As of December 31, 2005 and for the Nine-Months Period Ended September 30, 2006 and 2005  
 (In Thousands of Pesos)

ANNEX E

	Real Estate Operations		Banking and Financial Services		Combined		Eliminating		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net Revenues	10,476,598	2,580,911	1,022,913	894,691	11,499,511	3,475,602	(7,541,731)	(143,058)	3,957,780	3,332,544
Net Income	8,301,143	892,854	152,108	77,192	8,453,251	970,046	(7,688,921)	(344,316)	764,330	625,730
Segment assets	106,183,025	112,974,722	29,581,846	26,999,188	135,764,871	139,973,910	(46,361,168)	(57,112,863)	89,403,703	82,861,047
Less deferred tax asset	279,492		510,455	466,932	789,947	466,932	-	-	789,947	466,932
Net segment assets	105,903,533	112,974,722	29,071,391	26,532,256	134,974,924	139,506,978	(46,361,168)	(57,112,863)	88,613,756	82,394,115
Segment liabilities	40,227,313	38,179,524	26,494,282	24,035,541	66,721,595	62,215,065	(14,757,085)	(17,231,067)	51,964,510	44,983,998
Less:										
Income tax payable	-	96	-	-	-	96	-	-	-	96
Deferred tax liabilities	6,417,006	7,256,319	-	-	6,417,006	7,256,319	-	-	6,417,006	7,256,319
Net segment liabilities	33,810,307	30,923,109	26,494,282	24,035,541	60,304,589	54,958,650	(14,757,085)	(17,231,067)	45,547,504	37,727,583
Cash flows arising from										
Operating activities	7,191,922	3,340,957	2,500,362	773,667	9,692,284	4,114,624	(11,187,268)	(5,687,033)	(1,494,984)	2,619,640
Investing activities	1,247,005	(4,540,417)	(956,715)	(3,389,206)	290,290	(7,929,623)	4,438,607	5,470,863	4,728,897	(3,200,726)
Financing activities	317,094	1,136,776	-	2,889,985	317,094	4,026,761	(3,152,701)	339,153	(2,835,607)	1,191,154

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**FINANCIAL INFORMATION ON OPERATIONS OF BUSINESS SEGMENTS**

**ANNEX F**

As of September 30, 2006

(In Thousands of Pesos)

<b>Type of receivable</b>	<b>Total</b>	<b>Current</b>	<b>2-3 Mos.</b>	<b>4-6 Mos.</b>	<b>7 Mos - 1 year</b>	<b>1 year over</b>
a) Trade Receivables						
Mortgage, Notes and Installment Contracts Receivable	18,078,068	16,307,955	786,341	107,077	253,766	622,929
Receivable from Financing Institutions	624,780	624,780	-	-	-	-
Receivable from Customer	-	-	-	-	-	-
Rentals and others	790,505	495,053	55,321	37,330	43,660	159,140
Subtotal	19,493,353	17,427,788	841,662	144,407	297,426	782,069
Less: Allowance for Doubtful Accounts	(641,140)	(471)	(1,540)	(12,625)	(33,060)	(593,444)
	18,852,213	17,427,317	840,122	131,782	264,366	188,625
b) Non-trade Receivables						
Other Receivables	1,316,517	880,003	49,426	381,507	4,217	1,364
<b>Net Receivables</b>	<b>20,168,730</b>	<b>18,307,320</b>	<b>889,548</b>	<b>513,289</b>	<b>268,583</b>	<b>189,989</b>

COVER SHEET

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S.E.C. Registration Number

F I L I N V E S T D E V E L O P M E N T
C O R P O R A T I O N
(Company's Full Name)

1 7 3 P . G O M E Z S T .
S A N J U A N , M E T R O M A N I L A
(Business Address; No. Street City / Town / Province)

c/o Atty. Abner C. Gener, Jr.
Contact Person

7270431 / 7256328
Company Telephone Number

9 06
Month Fiscal Year

Day

1 7 - Q
FORM TYPE

Month Annual Meeting

Day

Secondary License Type; If Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

## **PART I -- FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Please refer to the attached financial statements marked Annexes A to D.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation for the Nine-Month Period Ended September 30, 2006 and 2005**

#### **2.1 Developments:**

On September 29, 2006, Filinvest Group had a major reorganization among its subsidiaries. The main objectives were to allow Filinvest Land, Inc. (FLI), the residential arm of the Group and also its largest subsidiary, to increase its asset base and to diversify and balance its revenue base by providing higher and more stable revenues leveraging into growth investment sectors, like the BPO office/business park development market and providing earnings stability through a position in the mall market.

FLI acquired from Filinvest Alabang, Inc. (FAI), the Festival Supermall and its 60% ownership interest in Cyberzone Properties Inc. (CPI). CPI is the owner of the development in the IT park known as the "Northgate Cyberzone", a PEZA-registered located within Filinvest City, and with BPO companies mostly as its tenants. Festival Supermall is a shopping center located in a 10- hectare land also in Filinvest Corporate City, and with a gross leasable area of 135,163 sq.m.

FLI also acquired the 60% ownership interest of the Company in Filinvest Asia Capital (FAC). The FAC is the owner of 50% of the spaces in PBCom Tower located in Ayala Avenue, Makati City which is currently 100% leased-out.

FLI issued a total of 5.6 billion shares to and assumed a total debt of P2.5 billion, from FDC and Filinvest Alabang, Inc, as payment for the acquisitions. Independent appraisers valued the three properties.

#### **2.2 Results of Operations**

The Company generated during the period a consolidated net income of P1.1B or 73.9% increase from last years' P626 million.

Real estate operations contributed P3.1B net revenue. This was higher by 19% compared to same period last year. Gross profit increased by 18% mainly brought about by the journalization of current period's sales as well as some of last year's sales reservations. There is a time lag of about a year between sales reservations and booking of sales due to requirements such as full downpayment and complete documentations. This year's sales reservations as of the period have increased by 22%. The company has also been successfully building up recurring income base by leasing spaces in mall, offices, and commercial retail projects such as the Festival Supermall, Westgate Center, South Station, and PBCom Tower. Mall and rental revenues have steadily been increasing, with a period growth of 16% compared to previous year. Operating expenses have been steady at P1.7 billion.

Financial and banking services recorded a positive growth of 18% in net revenues, contributing P906M to the total consolidated net revenue. The increase came mostly from trading of government securities, trust fees, and other service charges. Foreign exchange

transactional and trading income boosted the bank's Other Income during the period. Costs of services declined by 6% with the maturing in 2005 of several high-costs deposits, which was first introduced in 1998. The operating expenses of EWBC increased by 10% primarily due to additional manpower costs and other expenses incurred by its new personalized banking centers, which were opened in the second and third quarters of 2005, and the marketing costs incurred for auto loan and credit card facilities, which were launched starting March and August 2005, respectively.

On the financials, total assets is at P89 billion and stockholders' equity is at P37 billion, at a conservative debt-to-equity ratio of 0.34:1 as of September 30, 2006.

Total assets have grown by P6.3 billion largely due to increases in Cash and Cash Equivalents, Loans and Receivables, and Subdivision lots, condominiums and residential units for sale, and Investments.

Eastwest Bank increased its additional cash reserve with BSP in compliance with the new banking circular disqualifying government securities as reserve. This caused Cash and Cash equivalents to grow by P1.6 billion or 34%. The volume of car loans grew considerably which pushed Loans and Receivables to climb by P3.2 billion or 32%. The ratio of performing loans on the total remains high at 90%, and on car loans at 93%. The Bank also purchased both peso and dollar-denominated available-for-sale securities which caused Investments to grow by 13% or almost P1 billion. Subdivision Lots and Residential Units for Sale grew by 14.33% or P1.1 billion primarily because of the on-going new development projects as well as expansions of existing ones mostly in regional areas.

Total liabilities increased by P7.5 billion or 17% mainly due to increases in Accounts Payable and Accrued Expenses, Deposit Liabilities, Deferred Income Tax, and Long-term Debts.

The increase in Accounts Payable and Accrued expenses by P1.5 billion was mainly due to the temporary recording of liability for the investments of Eastwest Bank in foreign banks, wherein such set-up of liability is reversed the following day and recorded as regular investment. The volume of deposits by the Bank have increased significantly by P3.8 billion or 19%. Deferred income tax were recognized for the difference between fair market value and carrying value of properties bought by FLI, as discussed above, causing Deferred Income Tax Payable to grow by P469 million or 8%. The Company availed new long-term debts to take advantage of the low interest environment to lower financing cost of existing debts and lengthened maturities. During the period, a total of P1.2B loans were availed to replace higher-cost existing debts and also to finance development projects.

The Company has no material commitments for capital expenditures, except for the ongoing development of its Seascape Project in Cebu, project developments of its real estate subsidiaries, and the initial expenses necessary for the new branches of its bank subsidiary which expenses can be adequately covered by the operating cash flow. There are no events or uncertainties that are reasonably expected to have a material impact on the Company's short term or long-term liquidity or on the Company's revenues from continuing operations.

In May 2006, the Company opted to convert part of its P1.2 billion convertible bond holdings amounting to P164.23 million, into 164.23 million shares of Filinvest Land, Inc. (FLI). The shares were subsequently sold. The remaining investment of P1.037 billion were converted into FLI shares at P1 per share on September 29, 2006.

*(to follow)*

## Performance Indicators

	<b>As of &amp; for the Nine-Months Ended September 30, 2006</b>	<b>As of December 31, 2005 &amp; for the Nine-Months Ended September 30, 2005</b>
<b>Earning per share (basic)</b>	P 0.171 /share	P 0.086 /share
<hr/> Net Income (Annualized)		
Weighted average number of outstanding shares		
<b>Price Earnings Ratio</b>	9.58 times	13.04 times
<hr/> Closing Price		
Earnings Per Share		
<b>Return on Gross Revenue</b>	18.88%	12.08%
<hr/> Net Income		
Total Revenue		
<b>Debt to equity ratio</b>	0.34:1	0.30:1
<hr/> Notes Payable & Long-term Debt		
Total Stockholders' Equity		
<b>EBITDA to Total Interest Paid</b>	2.34 times	2.93 Times
<hr/> EBITDA		
Total Interest Payment		

Earnings per share is P0.171 while Price Earnings (PE) Ratio is 9.58 times. The growth in EPS is due to higher net income during the period. The decline in PE ratio was primarily due to raise in stock price, which was trading at P1.64 per share at the close in September 2006 versus at P1.12 per share at the close in the same period last year.

Total debt to equity ratio was slightly higher at 0.34:1.

## Notes to Financial Statements

1. The attached interim consolidated financial reports are prepared in accordance with the generally accepted accounting principles in the Philippines applied on consistent basis. The accounting policies and methods of computation followed in the financial statements for the nine-month period ended September 30, 2006 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2005.
2. The operating activities of the Company are carried out uniformly over the calendar year. There are no unusual operating cycles or seasons that will differentiate the operations for the period January to September 2006 from the operations for the rest of the year.
3. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operation, there are no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
4. There are no changes in estimates of amounts reported in the previous period that have material effects in the current interim period.

5. Except for those discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no issuances, repurchases and repayments of debt and equity securities.
6. There were no dividends paid (aggregate or per share) separately for ordinary shares and other shares during the interim period.
7. The Company derives its revenues from the following reportable segments:

Real estate which involves acquisition of land, planning and development of large-scale fully integrated residential and commercial communities; development and sale of residential and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential housing and condominiums and office buildings; development of farm estates, industrial and business parks; operation of cinema and mall; and property management.

Banking and financial services which involve commercial and banking operations, including generations of savings and time deposits in pesos and foreign currencies; commercial mortgage and agribusiness loans; payment services, provision of credit card facilities, fund transfer, international trade settlements and remittances from overseas workers; trust and investment services including portfolio management, unit funds, trust administration and estate planning; and safety deposit facilities.

Financial information on the operations of these business segments as of and for the nine- months ended September 30, 2006 and 2005 are summarized in the attached Annex E.

8. Except as discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no material events subsequent to September 30, 2006 up to the date of this report that have not been reflected in the financial statements for the interim period.
9. There have been no changes in the composition of the Company during the interim period, such as business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.
10. There are no changes in contingent liabilities or contingent assets since December 31, 2005.
11. There are no material contingencies and any other events or transactions affecting the current interim period.

*(to follow)*

**PART II -- OTHER INFORMATION**


**There is no other information required to be reported that has not been previously reported in SEC Form 17-C.**

**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 **FILINVEST DEVELOPMENT CORPORATION**

Signature

  
\_\_\_\_\_  
**NELSON M. BONA**  
Treasurer

Title

Date November 30, 2006

Signature

  
\_\_\_\_\_  
**DESYREE V. DELAVIN**  
Accounting Manager

Title

Date: November 30, 2006