

FILINVEST
INVEST ON SOLID GROUND

2005

ANNUAL REPORT

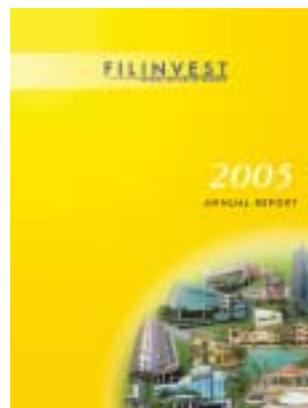


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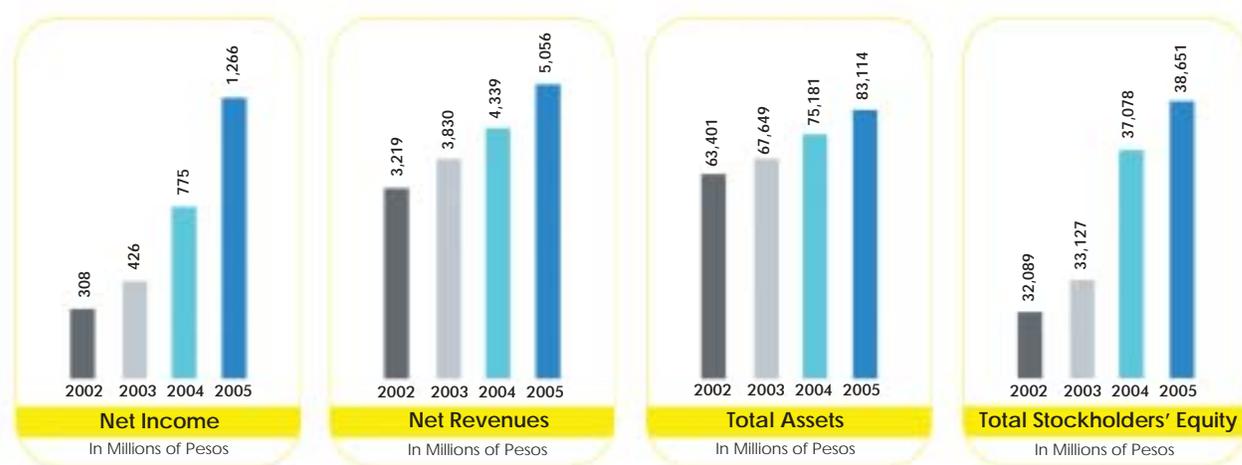
Brighter Prospects. The sun seems to shine more brightly after the rain. In the same way, business prospects look brighter after the challenges of the previous years. Amidst the revitalized real estate sector and a more favorable economic environment, FDC is planning for major expansion in 2006, with its sights focused on long-term growth for the company.



Consolidated Financial Highlights

(In Thousands of Pesos, Except Earnings Per Share Figures)

	2005	2004	2003	2002
Operating Results				
Net Revenues	5,056,952	4,339,273	3,830,876	3,219,335
Net Income	1,266,251	775,720	426,074	308,085
Return on Assets (ave.)	1.6%	1.1%	0.7%	0.5%
Return on Equity (ave.)	3.3%	2.2%	1.3%	0.9%
Financial Position				
Total Assets	83,114,966	75,181,585	67,649,437	63,401,360
Total Debt	11,562,549	9,535,123	9,689,021	9,527,024
Stockholders' Equity	38,651,052	37,078,302	33,127,507	32,089,368
No. of Shares Issued and Outstanding ('000)	5,955,725	5,955,725	5,955,725	5,955,725
Gross Debt to Equity	29.9%	25.7%	29.2%	29.7%
Net Debt to Equity	17.4%	16.8%	19.5%	23.1%
Earnings Per Share	0.147	0.090	0.028	0.009





Joint Message

Philippine economic growth declined to 5.1% last year from the 6% GDP increase posted in 2004. Despite the slowdown, the government deemed this an achievement considering the persistent increases in oil and consumer prices, weaker exports and political turmoil. The continued resilience of the services sector and the billions of dollars sent home by overseas Filipino workers were the major engines for this modest economic performance.

The real estate sector mirrored the country's GDP growth with 5% in 2005. Within this revitalized industry, Filinvest Development Corporation (FDC) registered a net income of P1.3 billion, up 63% from the 2004 level of P776 million. Gross revenues grew by 15% to hit P7.6 billion while net revenues grew by 17% from P4.3 billion in 2004 to P5.1 billion in 2005.

Since its trough level in 2002, FDC's net income registered a compounded annual growth rate of 60.2% and gross revenues attained an annual compounded growth rate of 16.5%. The company's consolidated assets stood at P83 billion as of December 31, 2005, with stockholders' equity of P38.7 billion, and a conservative debt to equity ratio of 0.3 to 1.

Focus on Core Property Business

Historically, the Group's property-related operations have accounted for the largest portion of FDC's consolidated revenues.

Residential projects were a strong source of income with subsidiary Filinvest Land, Inc. (FLI) posting a 10% increase in sales. This is due largely to the strong OFW demand, affordable financing and strong government support. The company sees large opportunities for expansion in this sector with the huge gap that remains between supply and demand in housing. In fact, the Housing and Urban Development Coordinating Council (HUDCC) has projected a total housing need of 3.8 million until 2010.

For 2006, FLI is set to launch 12 new projects covering the affordable, middle and high-end segments. Among these are two Asenso Villages, a new product that was launched last year. An Asenso Village is an affordable and fully functional business park community specifically geared towards cottage industries. To be able to reach new markets, FLI will continue to enhance its leisure developments such as Laeuna de Taal and Timberland Sports and Nature Club.

Development of Filinvest Corporate City moved at a steady pace in 2005 with Filinvest Alabang, Inc. (FAI) welcoming new locators and constructing its condominium projects. Three fully taken-up buildings, West Parc Alder, 2301 Civic Place, and Vivant Flats, are scheduled for turnover in 2006. Four new condominiums are currently being offered to the market.

Strong Recurring Income Base

FDC registered a 24.66% average compounded growth rate in its rental revenues base from P342 million in 2000 to P1 billion in 2005. Mall revenues and rentals grew by 19%, from P864 million in 2004 to P1 billion in 2005.

With 75,000 square meters of leasable office space by the end of 2005, Filinvest is a market leader in the office sector and will continue to strengthen its foothold due to its large landbank. Through Cyberzone Properties, Inc. (CPI) and Filinvest Asia Corporation, the Group has taken advantage of the business process outsourcing (BPO) boom and now supplies over 7,000 call center seats. As of end-December 2005, its properties registered close to 100% occupancy. In 2006, CPI will add 31,000 square meters of leasable area to its portfolio. FAI recently welcomed one of Israel's largest publicly listed companies, Africa Israel International Properties (2002) Ltd. as its joint venture partner in CPI. Africa Israel will build up a 40% equity share in CPI.

In line with this strategy, commercial property subsidiary Filinvest Alabang, Inc. expands its retail portfolio in Filinvest Corporate City in a deliberate and measured pace to match market demands. With Festival Supermall, Westgate Center and South Station, FAI has successfully tapped into three distinct market segments and will add another 5,000 square meters in 2006 with the upcoming construction of the first wing of phase two of South Station's retail development.

Building Strength in Financial Services

East West Banking Corporation's share of the total net revenues of the Filinvest Group has steadily increased from only a 13% share in 2000, to a 25% contribution in 2005.

In 2005, East West Bank's total resources grew from P23 billion to P25 billion. This represents an 11% year-on-year growth which surpassed average industry growth of 5%. Net income grew by a record 359% from P44 million in 2004 to P202 million in 2005, as the bank improved its loan portfolio mix and continued to reap the benefits of its investments in people and infrastructure.

Efficient Debt Management

In 2005, FDC took advantage of the liquidity and low interest rate environment to improve the maturities and financing cost of its existing debts. The Group replaced its existing loans with new debt of P2 billion with lower interest rates, a move which will save the Group over P100 million a year. Its maturities schedule improved from 2.3 to 4 years. In line with its policy to improve return on equity through prudent leveraging, increases in its loans include P2.2 billion of development loans obtained to finance new projects in 2005 and 2006.

FLI obtained an Omnibus Financing Line of P2.25 billion from the International Finance Corporation (IFC) – the first step leading to mortgage securitization of FLI papers. This is a manifestation of the continued

confidence of the banking community in the Filinvest Group given its 50 years of excellent credit track record. The Filinvest Group has a remaining foreign debt of \$18.8 million, which is fully hedged.

International Recognition

In the 2005 Euromoney Real Estate Awards, Filinvest received the Award for Investment Management in the Philippines. This was the result of a survey designed by the London-based international finance magazine to provide a qualitative and quantitative review of the best services in real estate, organized by geography and areas of service. The company was rated by investors, investment banks, and real estate advisers.

Filinvest Anniversary Charity Run

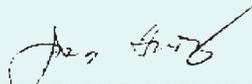
The year 2005 ended on a high note when over a thousand people flocked to Filinvest Corporate City last December for the charity fun run in celebration of Filinvest's 50th year in business and Filinvest Corporate City's 10th anniversary. The invitational run was for the benefit of the ERDA Foundation headed by Fr. Pierre Tritz, SJ. The Filinvest Corporate City Foundation contributed over P3.2 million for elementary and high school scholars of Muntinlupa City.

Outlook for 2006

The Group remains optimistic about the company's prospects in 2006. We are counting on a more favorable business environment with the stronger peso, major tax reforms implemented by the government, and hopefully a more stable political situation. Filinvest is planning for major growth in 2006 through more aggressive marketing tempered by sensible financial management.

Conclusion

FDC would like to thank its shareholders, the Board of Directors, and its officers and employees for their valuable support and contributions to the continued success of your company.


JONATHAN T. GOTIANUN
Chairman


L. JOSEPHINE GOTIANUN YAP
President & CEO



Operating Highlights



The year 2005 saw the continued increase in sales of Filinvest Land, Inc. (FLI) across all residential sectors. Total sales rose by 10% to P3.3 billion in 2005 compared to the P3.0 billion generated in 2004 -- the highest level since 1996. The company earned a net income of P656 million in 2005, representing a 10% increase over the previous year.

Traditional housing continued to dominate sales, accounting for 92% of sales with the balance of 8% in the company's new products – residential farm estates, industrial lots and leisure. Affordable and middle-income housing contributed 66% of the total sales.

Thriving residential subdivisions

Under Corte Bella, the Metro Homes Division of Filinvest Land, major contributors were Parkspring, Auburn Place, Spring Country, Serra Monte Villas, The Tropics, Serra Monte Mansions, Mountain View, and the newly launched Irvine Place I and II projects in Cainta.

Another middle-income project launched last year was The Manors at South Peak in San Pedro, Laguna. Only 10 minutes from Alabang, residents have easy access to nearby churches, schools, and commercial establishments. To ensure a continuous flow of middle-income products, The Pines at South Peak and Spring Heights 2 are set to launch in 2006.

New house models for the Futura Classics affordable product line were introduced in 2005. These are the Sampaguita and Ilang-Ilang models under the Bloom Series. These houses have been enthusiastically received because they meet the needs of households who are interested in buying a start-up home with provisions for future upgrading and expansion as their income improves.

In 2006, the 1.5-hectare El Sorrento Sports and Country Club will be opened in Tanza, Cavite. This beautiful and well-appointed club is designed to meet the sports and social requirements of the nearby communities.

The Village Square at Park Spring was launched in 2005. Located in San Pedro, Laguna, it offers lots and shophouses designed to provide a dwelling unit on the second floor while accommodating business activities on the ground level.

To meet the increasing housing needs of Sto. Tomas, Batangas, Palmridge and Summer Breeze Townhomes are scheduled for launch in 2006.

For high-end developments, Brentville International continues to be recognized in the market as the premiere international community south of Metro Manila. Brentville made its communities of Prominence I & II and The Classiques synonymous with world-class living, from its features and amenities, to exclusive privileges such as access to the facilities of Brent International School and first-class amenities of the Palms Country Club. In 2005, new houses were launched featuring Mediterranean-inspired, single-detached homes collectively known as The Masterpiece series.

Township developments

Filinvest Land is making its presence felt in the northern, southern, as well as eastern sectors of Greater Metro Manila through its extensive township developments. These self-contained townships are designed to be complete communities with all the amenities including provisions for schools, hospitals and commercial areas.

Ciudad de Calamba, the 350-hectare township development in Calamba, Laguna is fast gaining ground as a commercial, residential and industrial hub south of Metro Manila. It enjoys a direct link to the South Luzon Expressway via the Batino Exit. In 2005, township facilities were expanded with the introduction of a multi-cab transport system established to ferry residents to and from major transportation terminals in the area. A 1,000-sqm parcel of land was made available to the city, and in close coordination with the municipal government, a 24-hour police detachment and a health center will be established in 2006.

The industrial anchor of the township, Filinvest Technology Park Calamba (FTPC) caters to big and small businesses alike. In 2005, four new locators set up their businesses at FTPC. With a complete range of lot sizes, FTPC is the only industrial park in the south that can accommodate both big and small locators.

The 677-hectare Timberland Heights in San Mateo, Rizal is a mountain resort township just 15 minutes away from Quezon City. Rising within the township is Mandala Residential Farm Estate, which offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle. Following the success of the first two phases, Mandala West and Mandala North, Mandala South was launched in 2005. Banyan Ridge was opened in 2005 as an alternative product for those who prefer smaller lot sizes for purely residential use. An exclusive high-end residential subdivision called The Ranch will be launched in 2006.

Pioneering entrepreneurial community

In November 2005, FLI launched the Asenso Village, the country's pioneering affordable and fully functional business park community that addresses the needs of micro, small and medium enterprises. No less than President Gloria Macapagal Arroyo launched the project last year.

Featuring innovative housing units that incorporate living quarters and a production area, Asenso Village is designed to support the growth of micro, small and medium enterprises (MSMEs). Aside from enjoying tax incentives, entrepreneurs in Asenso Village will receive support from the government in the form of training, business development, marketing and promotion.



Asenso Village General Trias and Asenso Village Ciudad de Calamba are the first two villages to be launched in 2006. Several other sites are scheduled for launching in the future.

Expanding nationwide reach

Special focus is being made on expanding FLI's presence geographically outside Metro Manila, specifically in regional growth areas.

Regional sales improved substantially in Cebu in 2005 as a result of the opening of a new project, Mactan Tropics, as well as new phases in Aldea del Sol and Corona del Mar, a residential resort community in Talisay, Cebu.

Following the success of Orange Grove and Fuente de Villa Abrille in Davao, FLI launched another phase at Villa Mercedita in 2005 and is scheduled to open new projects in 2006.

Leisure developments

FLI has ventured into farming and leisure communities with the aim of upgrading buyers' living experience and lifestyle. These projects are meant to give more investment and recreation options for homeowners, retirees and investors.

A lakeside resort community, Laeuna de Taal is located in Talisay, Batangas, along the shores

of Taal Lake. It is a master-planned community ideal for weekend getaways or for more permanent residential plans. Bahia, the first cluster of the community, will be ready for turnover in 2006. Work in Orilla, the second enclave, also started in 2005. The Lake Club, which is part of the master plan, shall soon be constructed for the exclusive use of residents and members.

Nusa Dua, Filinvest's pioneer farm estate, is the first project of its kind in Tanza, Cavite. The first two phases have been sold out and the third phase is now open. The year 2005 likewise saw the completion of the wooden Balinese-themed, two-storey clubhouse dubbed The Wantilan, complementing the 370-square meter swimming pool, a game room, a meditation garden and a children's playground. The farm estate has generated particular interest from a wide mix of buyers, including Filipino and Japanese retirees.

Amidst verdant rolling hills and picturesque views of the Sierra Madre mountain ranges will rise Timberland Sports and Nature Club, the 8-hectare private membership club that offers a wide range of activities and amenities for the whole family. Site development works started in the early part of the year and were substantially completed. Construction of the club itself started in 2005 and it is targeted to be completed and operational in mid-2007.



Bahia enclave at Laeuna de Taal



OFFICE SECTOR

Northgate Cyberzone

www.northgate-cyberzone.com

Cyberzone Properties, Inc. (CPI) is the Philippine Economic Zone Authority (PEZA)-accredited facilities provider which pioneered “built-to-suit” (BTS) offices in Northgate Cyberzone. It delivered ahead of schedule the Convergys building in 2004 and the HSBC building in 2005. Aside from these, the two other operational I.T. buildings in the Plaz@ block are fully taken up by locator companies.

To address the pressing demand for I.T. offices, CPI started constructing Plaz@ A, a 6-storey building with a leasable area of 11,000 sqm, in the fourth quarter of 2005. Scheduled for completion in June 2006, Plaz@ A has been fully taken up by two major call center players even prior to completion. CPI broke ground in Feb. 2006 on Plaz@ D, a mirror image of Plaz@ A. By the second quarter of 2006, a third building will commence. Both will be available for turnover before the end of 2006. The completion

of these three buildings will increase CPI’s leasing portfolio from 40,000 sqm to 71,000 sqm.

A significant development is the entry of Africa Israel International Properties (2002) Ltd. as a major investor in Northgate Cyberzone. Under the investment agreement signed with CPI and FAI, the Israel-based firm agreed to subscribe up to 40% of CPI’s outstanding capital stock. One of the largest companies in Israel, it has investments in residential real estate, shopping malls, energy, fashion, telecommunications and media, and infrastructure. Its shares are traded on the Tel Aviv Stock Exchange.

Civic Prime

www.civicprime.com

FAI has also achieved remarkable success with its two Small Office-Home Office (SOHO) projects. 2301 Civic Place, which is right beside Asian Hospital, is scheduled for turnover by the second quarter of 2006. Even during the construction period, unit owners of 2301 Civic Place already received inquiries from people interested to lease their units upon completion.

On the heels of the sold-out 2301 Civic Place, the second SOHO project called Civic Prime was launched in May 2005. Located across Festival Supermall, near South Station, the 10-storey, 11,220-sqm Civic Prime is substantially sold out and will start construction within the second quarter of 2006.



Festival Supermall's Greens and Grills

RETAIL SECTOR

Festival Supermall

www.festivalsupermall.com

Festival Supermall reaffirmed its position as the premier regional shopping center of Southern Metro Manila. It welcomed 84 new stores in 2005 to add to its increasing roster of over 600 tenants. Redevelopment of various areas in the mall continued in 2005 to further maximize its leasing potential as well as further enhance its tenant mix. Development of the Water Garden area into a "Greens and Grills" is underway. Situated underneath a canopy of age-old acacia trees, Greens and Grills will house alfresco dining for the late after-office crowd amidst garden center tenants.

Westgate Center

www.westgatefilinvest.com

Westgate Center, a 9.5-hectare master-planned retail development that features high-end dining, wellness, and lifestyle stores, is 80% leased out. The stores that opened in 2005 were Wine Depot, UCC Coffee, Zong Restaurant, Belo Medical, Gymboree, Med Express, Cest Si Bon French Restaurant and Westgate Alabang Home Depot. 2006 will see the addition of a Japanese Restaurant, Indian Restaurant,

and Seafood Restaurant among others, to further enhance its roster of fine dining establishments.

South Station

www.filicity.com/southstation

South Station's Green Building, which opened to the public in March 2005, now caters to more than half a million commuters who traverse the area daily. This year, FAI will start construction of the first wing of phase 2 of South Station's retail development which will add a total gross leasable area of almost 5,000 sqm and more than 500 bargain center spaces. The project is envisioned to make South Station the regional bargain and transport center of the South.

F@st Bytes

To serve the 24/7 needs of the growing ranks of call center personnel in Northgate Cyberzone, the Convergence Block will house F@st Bytes. This 4,000-sqm, 24-hour dining and retail hub opens in June 2006.

Filinvest Corporate City

www.filicity.com

The entry of three big box retail locators further strengthened the city's reputation as the shopping mecca of the South.

South Supermarket opened its doors in November 2005. Located along Filinvest Avenue, near Westgate Center, this 8,441-sqm complex houses a major supermarket complemented by dining establishments and convenience drug and book stores. The Alabang Home Depot and the Wilcon Builders' Depot together offer more than 25,351-sqm of construction supply choices that will service the home improvement and construction needs of the South – Greater Metro Manila's strongest growing residential region.

RESIDENTIAL SECTOR

FAI has found a niche in residential development with projects that cater to different market segments.

Palms Pointe

www.filicity.com/palmspointe

Palms Pointe is now a bona fide residential community with land development utilities, and amenities already in place. Located right across The Palms Country Club, it consists of 148 prime lots within a gated enclave. More than fifty lots have been turned over to the buyers and several houses are now under construction. The first batch of residents is expected to move in by the second quarter of 2006.

La Vie Flats

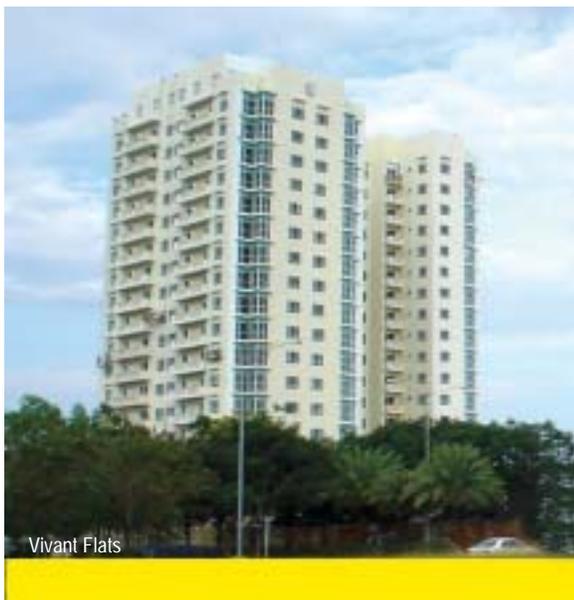
www.filicity.com/lavieflats

The three-tower condominium community called "The Flats" caters to the upper middle-income market. Its first offering, the 17-storey Vivant Flats, was fully taken up in 2005. Construction is now in the finishing stages and the units will be ready for turnover by mid-2006. Following the success of Vivant Flats, La Vie Flats, the second tower, is scheduled to break ground in 2006. La Vie will further add to the amenities of The Flats complex with its gym and children's study hall and playroom. It also houses its own function hall.

West Parc Condominiums

www.filicity.com/westparc

For the middle-income segment, West Parc offers accessibility and a convenient lifestyle right



across Westgate and near the Alabang-Zapote Road. Its first tower, the 15-storey Alder Building, is nearing completion and is scheduled for turnover by the second half of 2006. Birch Building quickly followed suit and is now under construction and expected to be completed by 2008. The third tower, Cedar Building, was launched in the first quarter of 2006 to meet the continued demand for this product line.

Studio One

www.filicity.com/studioone

Scheduled for soft launching in the first quarter of 2006 is Studio One, a 12-storey condominium with compact 13-sqm residential units set to rise within Northgate Cyberzone. Located in the same neighborhood as outsourcing firms such as HSBC, APAC and Convergys, it is walking distance for call center personnel who can save on both commute time and expenses, while having a much safer residential destination during the wee hours of the morning.

Pioneer Pointe

www.pioneer-pointe.com

FAI is the project manager of Pioneer Pointe, a 28-storey mid-income condominium along Pioneer Street in Mandaluyong City. Construction is in full swing with structural topping-off expected in October 2006 and turnover by December 2007.

LEISURE SECTOR

The Palms Country Club

www.thepalmsclub.com

The Palms Country Club continued to be patronized by its members in 2005. It presently has over 1,400 members and continues to offer membership shares. Share value is now at P785,000 per share, up by 57% from its initial price of P500,000 per share.

The club hosted numerous weddings and corporate functions, establishing its position as a preferred venue for big events in the area. The Palms Club lifestyle is seasoned by the successful events organized for its members such as the Summer Camp for kids and the New Year's Eve party.

EASTWEST
BIZCHEQUE

**Car
Suite
Loan**

Your reliable partner
in car financing



Home Suite Loan
Good Options. Better Decisions

www.eastwestbanker.com



East West Bank (EWB) capped a successful year by posting a net income after tax of P202 million in 2005, a 359% increase over the P44 million earned the previous year.

The bank's total resources amounted to P24.83 billion at the end of 2005, marking a P2.2 billion or 10% increase from the previous year. The expansion in resources was mainly due to increases in loan receivables which grew by P1.1 billion and investments in government securities which expanded by P1.0 billion. This was driven by a higher-than-industry growth in deposit liabilities of 16% or P2.9 billion. Deposit liabilities at the end of the year is at P21.2 billion.

Aggressive Marketing of Consumer Products

2005 saw the continuance of the bank's strategy of shifting its loan concentration from corporate to the consumer market.

Marketing strategies for auto financing, mortgage loans, salary loans and credit cards were enhanced as customer databases of business partners were tapped and cross-selling to existing customers was aggressively pursued.

Consumer loans grew by 28% or P1.5 billion during the year.

Wider Market Reach

EWB opened four new Personal Banking Centers (PBCs) in 2005, expanding its service coverage

to 70 branches throughout the country. These four new PBCs are located in the cities of Muntinlupa (Alabang-Zapote Road), Isabela, Cotabato and Tacloban.

These new PBCs, together with the increased productivity of the bank's existing branches, boosted the bank's deposit growth in 2005 to a level that exceeded industry performance.

Continuous Product Innovation

The ability to innovate and adapt the bank's products to its customers' changing financial needs and level of technological sophistication has enabled the bank to grow at a faster rate than the commercial banking industry.

The EWB Corporate Suite, a group of automated solutions for corporate clients, was significantly enhanced in 2005 with the addition of process simplification features and improved interface with existing automated systems.

Plans for 2006

The shift in the bank's lending strategy from corporate to consumer will continue in 2006 as PBCs are transformed into major customer loan channels and products are fine-tuned to customer needs.

The bank will also capitalize on its technological advantage to reach more customers through the effective mining of available customer databases.

Core systems and support systems will be continuously enhanced to support the bank's drive towards being one of the more customer-centric, efficient and profitable institutions in the country.



FILINVEST ASIA CORP.

Filinvest Asia Corporation (FAC) is a partnership between Filinvest Alabang, Inc. and Reco Herrera Pte Ltd, an investment vehicle of the Government of Singapore Investment Corporation Real Estate Pte Ltd. It owns 35,000 square meters of leasable office space in the 52-storey PBCOM Tower, a joint venture with the Philippine Bank of Communications. Strategically located at the corner of Ayala Avenue and Herrera Street in Makati, PBCOM Tower is an information technology zone approved by the Philippine Economic Zone Authority (PEZA).

In 2005, the company achieved 100% occupancy for its total space owned in PBCOM Tower. Major tenants are business process outsource companies such as HSBC Electronic Data Processing (Philippines), Inc., Crescent Services (Philippines) PTE Ltd., Daksh eServices, and other multinationals including American Express, Sony Life and New York Life.



Scheduled for launching in 2006 is Seascapes Resort Town, FDC's newest leisure development located in Mactan, Cebu. Final planning activities were undertaken in 2005 in preparation for its 2006 launch.

Covering an expansive 12-hectare seaside property, Seascapes Resort Town is a master-planned resort community that offers private lots, casitas, villas, condominium units and a Beach Club. The site is just 15 minutes away from the Mactan International Airport and 30 minutes away from Cebu City.



Seascapes perspective

www.seascapescebu.com

Planned by leading resort architects in the world, Seascapes will add to the prime tourist destinations in Cebu. It will afford not only a world-class resort lifestyle for its buyers, but will allow them to cash in on the booming tourist trade by making their vacation an investment instead of an expense.

Board of Directors



ANDREW L. GOTIANUN, SR.
Chairman Emeritus



JONATHAN T. GOTIANUN
Chairman



MERCEDES T. GOTIANUN
Director



ANDREW T. GOTIANUN, JR.
Director



JOSEPHINE G. YAP
Director & President-CEO



ALFREDO V. ASUNCION
Director



LAMBERTO U. OCAMPO
Director

Subsidiary Heads



ELREY T. RAMOS
President
East West Banking Corporation



JOSEPH M. YAP
President
Filinvest Land, Inc.



EFREN C. GUTIERREZ*
President
Filinvest Alabang, Inc.

Senior Management

JOSEPHINE G. YAP
President & CEO

MICHAEL T. GOTIANUN
Vice President

NELSON M. BONA
Sr. Vice President & Treasurer

ABNER C. GENER
Corporate Secretary

*Retired on July 31, 2005

Consolidated Balance Sheets

(Amounts In Thousands)

	December 31	
	2005	2004 (As restated)
ASSETS		
Cash and cash equivalents	P4,828,788	P3,314,702
Loans and receivables - net		
Real estate operations	6,640,979	-
Financial and banking services	10,066,065	-
Receivable from customers - net		
Real estate operations	-	4,407,505
Financial and banking services	-	9,109,426
Subdivision lots, condominiums and residential units for sale	7,704,657	6,992,894
Financial assets at fair value through profit and loss	2,493,017	-
Available-for-sale financial assets	2,183,650	-
Held-to-maturity financial assets	2,601,874	-
Investments at cost - net	-	6,553,877
Land and land development	18,242,261	17,257,988
Investment property	22,233,954	21,756,980
Property and equipment - net	1,036,731	1,258,484
Deferred income tax assets	779,029	488,508
Noncurrent assets held for sale	150,000	-
Other assets - net	4,153,961	4,041,221
	P83,114,966	P75,181,585
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposit liabilities	P19,995,911	P17,409,720
Accounts payable and accrued expenses	5,393,860	4,918,329
Income tax payable	275	215
Deferred income tax liabilities	5,947,400	5,536,868
Long-term debt	11,562,549	8,306,953
Bonds payable	-	1,228,170
Unrealized gross profit on installment contracts receivable, sale of condominium units and club shares	326,100	209,592
Estimated liability for land and property development	1,237,819	493,436
	44,463,914	38,103,283

(Forward)

Consolidated Balance Sheets

(Amounts In Thousands)

	December 31	
	2005	2004 (As restated)
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock	₱5,958,124	₱5,958,124
Additional paid-in capital	2,099,874	2,099,874
Revaluation increment in land	8,396,411	8,246,432
Revaluation reserve on available-for-sale financial assets	235,004	—
Net unrealized loss on decline in value of noncurrent marketable equity securities	—	(34,103)
Retained earnings	11,922,489	11,156,633
Treasury stock	(24,220)	(24,220)
Total	28,587,682	27,402,740
Minority interest	10,063,370	9,675,562
	38,651,052	37,078,302
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱83,114,966	₱75,181,585

Consolidated Statements of Income

(Amounts In Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31	
	2005	2004 (As restated)
REVENUES		
Real Estate Operations		
Sale of lots, condominium and residential units and club shares	P2,851,051	P2,910,466
Costs of sale of lots, condominium and residential units and club shares	(1,318,366)	(1,329,253)
Gross profit	1,532,685	1,581,213
Mall and rental revenues	1,029,424	864,233
Realized (deferred) gross profit	(177,772)	46,148
Other income	1,422,616	1,088,035
	3,806,953	3,579,629
Financial and Banking Services		
Interest income	1,917,231	1,117,639
Costs of financial and banking services	(1,177,018)	(922,140)
Other income	509,786	564,145
	1,249,999	759,644
NET REVENUES	5,056,952	4,339,273
General and Administrative Expenses		
Real estate operations	2,097,804	2,028,208
Financial and banking services	1,204,488	1,043,515
	3,302,292	3,071,723
INCOME BEFORE INCOME TAX	1,754,660	1,267,550
PROVISION FOR INCOME TAX		
Current	79,614	100,687
Deferred	408,795	391,143
	488,409	491,830
NET INCOME	P1,266,251	P775,720
Attributable to:		
Equity holders of the parent company	P878,443	P533,361
Minority interest	387,808	242,359
	P1,266,251	P775,720
Earnings Per Share	P0.147	P0.090

Consolidated Company Statements of Changes in Stockholders' Equity

(Amounts In Thousands of Pesos)

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock	Additional Paid-in Capital	Rerevaluation Increase in Land	Rerevaluation Reserve on Available-for-Sale Financial Assets	Net Unrealized Loss or Decline in Market Value of Noncurrent Marketable Equity Securities	Retained Earnings	Treasury Stock	Total	Minority Interest	Total
For the Year Ended December 31, 2005										
Balance as of December 31, 2004, as previously reported	P5,958,034	P1,899,874	P11,188,323	P-	(P34,083)	P11,176,244	(P24,128)	P38,567,242	P10,855,830	P40,423,072
Cumulative effect of changes in accounting policies	-	-	(2,944,891)	-	-	(22,621)	-	(2,967,512)	(280,288)	(3,247,779)
Balance as of December 31, 2004, as restated	5,958,034	1,899,874	8,243,432	-	(34,083)	11,153,623	(24,128)	35,600,730	9,675,542	37,276,272
Cumulative effect of changes in accounting for investments	-	-	-	568,270	34,083	(1,12,587)	-	390,766	-	190,706
Balance as of January 1, 2005	5,958,034	1,899,874	8,243,432	568,270	-	11,844,946	(24,128)	37,990,336	9,675,542	37,249,048
Changes in fair value of available-for-sale investments recognized directly in equity	-	-	-	(34,266)	-	-	-	(34,266)	-	(34,266)
Net income for the year	-	-	-	-	-	878,443	-	878,443	387,888	1,266,331
Total income and expense for the year	-	-	-	(34,266)	-	878,443	-	844,177	387,888	1,231,965
Effect of change in tax rate	-	-	148,979	-	-	-	-	148,979	-	148,979
Balance as of December 31, 2005	P5,958,034	P1,899,874	P8,392,411	P135,004	P-	P11,922,489	(P24,128)	P38,987,682	P10,063,370	P39,051,052
For the Year Ended December 31, 2004										
Balance as of December 31, 2003, as previously reported	P5,958,034	P1,899,874	P11,188,323	P-	(P34,083)	P10,637,396	(P24,128)	P28,825,994	P9,866,993	P38,692,987
Cumulative effect of changes in accounting policies	-	-	(2,944,891)	-	-	(14,724)	-	(2,959,615)	(373,762)	(3,333,487)
Balance as of December 31, 2003, as restated	5,958,034	1,899,874	8,243,432	-	(34,083)	10,622,672	(24,128)	25,866,379	9,493,231	35,359,610
Net income for the year, as previously reported	-	-	-	-	-	541,248	-	541,248	248,833	790,081
Cumulative effect of changes in accounting policies	-	-	-	-	-	(7,887)	-	(7,887)	(6,476)	(14,363)
As restated	-	-	-	-	-	533,361	-	533,361	242,357	775,718
Balance as of December 31, 2004	P5,958,034	P1,899,874	P8,246,432	P-	(P34,083)	P11,156,033	(P24,128)	P27,400,740	P9,675,562	P37,076,302

Consolidated Statements of Cash Flows

(Amounts In Thousands of Pesos)

	Years Ended December 31	
	2005	2004 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,754,660	₱1,267,550
Adjustments for:		
Interest expense	1,552,064	1,567,409
Depreciation and amortization	464,473	364,009
Provision for probable losses	103,411	107,006
Interest income	(2,301,847)	(1,323,117)
Operating income before changes in operating assets and liabilities	1,572,761	1,982,857
Increase in:		
Loans and receivables	(1,292,299)	–
Receivable from customers	–	(126,811)
Subdivision lots, condominium and residential units for sale	(711,763)	(192,231)
Increase (decrease) in:		
Deposit liabilities	1,409,174	2,699,730
Accounts payable and accrued expenses	1,219,914	128,080
Unrealized gross profit on installment contracts receivable, sales of condominium units and club shares	116,508	(49,161)
Net cash generated from operations	2,314,295	4,442,464
Income taxes paid	(79,554)	(100,869)
Net cash provided by operating activities	2,234,741	4,341,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	404,033	282,640
Decrease (increase) in:		
Land and land development	(984,273)	(578,401)
Financial assets at fair value through profit and loss	(2,493,017)	–
Available-for-sale financial assets	4,376,747	–
Held-to-maturity financial assets	(2,601,874)	–
Investments at cost	–	(2,473,614)
Other assets	(354,956)	303,426
Net acquisitions of investment property and property and equipment	(719,694)	(758,946)
Net cash used in investing activities	(2,373,034)	(3,224,895)
(Forward)		

Consolidated Statements of Cash Flows

(Amounts In Thousands of Pesos)

	Years Ended December 31	
	2005	2004 (As restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of):		
Long-term debt	₱3,634,423	(₱34,765)
Bonds payable	(1,228,170)	(119,133)
Interest paid	(753,874)	(892,475)
Net cash provided by (used in) financing activities	1,652,379	(1,046,373)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,514,086	70,327
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,314,702	3,244,375
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱4,828,788	₱3,314,702