

JOINT MESSAGE OF THE CHAIRMAN AND THE PRESIDENT

2008 was a year filled with challenges for the Philippine economy. The country had to struggle with high commodity prices, particularly skyrocketing oil prices that peaked at US\$ 147 per barrel in July, as well as a global rice shortage that caused the prime commodity to more than double in price. As a result, the inflation rate rose to double-digit figures, reaching a high of 12.4% in August before easing to 8.0% in December. Full year inflation averaged at 9.3%, from only 2.8% in 2007.

Yet, despite all these adversities, the country still managed to post a full-year Gross Domestic Product (GDP) growth of 4.6%. While lower than the 7.3% GDP growth rate registered in 2007, this was a respectable increase considering that major world economies were starting to sink into economic recession. OFW remittances, a key driver of the Philippine economy, remained robust, reaching another record of US\$16.4 billion, 14% more than the previous year.

Your Company was not spared from these difficulties in 2008. The major challenge for all real estate companies in 2008 was the soaring cost of construction materials. Steel prices more than doubled in 2008, hitting its peak in September. Cement prices were not far behind, reaching Php200 per bag by year-end from only Php150 in January. Your Company mitigated the impact of high steel prices by selectively entering into contracts with a few reliable suppliers for our 2008 requirements.

In addition, Filinvest Land implemented price increases averaging 10% in June 2008 in order to maintain margins. As a result, our bottom line did not suffer. Since hitting their peaks in the third quarter of 2008, construction material costs have since fallen back to their 2007 levels.

Despite all the problems that it faced in 2008, your Company was able to achieve outstanding performance in several areas.

Financial Highlights

FLI ended 2008 with a Net Income After Tax of Php1.867 billion. This represents a 31% jump over the Net Income before Extraordinary Gain of Php1.424 billion registered in 2007. Including the Php280 million extraordinary gain in 2007 from the secondary sale of FLI shares by Filinvest Alabang Inc., 2008 Net Income increased by 9.6%.

The major contributor to Net Income was Real Estate Sales which reached Php3.508 billion in 2008, 11% more than the previous year. The bulk of Real Estate Sales was from the Company's core affordable and middle-income residential business with house & lot packages or condominium units of up to Php4 million each.

These mass housing units accounted for Php2.607 billion or 74% of the total. The balance of Php900 million of Real Estate



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Sales was from high-end projects, farm estates, industrial lots and entrepreneurial housing (Asenso Village).

Meanwhile, rental revenues grew by 11% to Php1.135 billion. Your Company's investment properties including the BPO buildings in Northgate Cyberzone, PBCom Tower in Makati and Festival Supermall in Filinvest Corporate City continue to provide a strong recurring income base.

Real estate operations accounted for Php1.242 billion or 66% of net income while leasing operations contributed Php557 million or 30% of total earnings. Equity in Net Earnings from FLI's 20% stake in Filinvest Alabang, Inc. contributed Php68 million or about 4% of net income.

Your Company's Balance Sheet remains very healthy with net debt to equity ratio of only 0.12:1. All of our loans are peso-denominated and long-term, thus shielding the Company from foreign exchange fluctuations in a tight credit environment. In addition, your Company ended the year with a strong cash position of Php2.4 billion.

Unfortunately, your Company's share price performance has not been reflective of our outstanding 2008 performance. While FLI continued to post double-digit growth in revenues and net income, our share price has dropped significantly as a result of the flight of global investors from what is perceived as the more "risky" emerging markets. In 2008, your Company paid its first dividends of Php0.02 per share or a total of Php486 million. This represented 28% of the previous year's net income, higher than the Company's target payout rate of 20%. Your Company believes that as global equity markets stabilize, investors will realize the true value of FLI shares.

Project Highlights

As of the end of 2008, FLI had 71 ongoing projects nationwide. These include the 10 new projects and 15 new phases that were launched during 2008 with a total sales value of Php6.6 billion. Your Company opened its first project in Butuan City, Agusan del Norte, as well as more of the mid-rise building (MRB) projects in new inner-city locations, namely Bali Oasis on Marcos Highway in Pasig City and One Oasis Cebu. FLI generated sales reservations of Php6.6 billion in 2008, 32% more than the previous year, the highest in your Company's history.

In August 2008, Timberland Sports and Nature Club (TSNC) opened its doors to its members. TSNC is a 12,000-sqm sports and country club which is the recreational anchor of the Timberland Heights township. Located on an eight-hectare site at one of the prime locations of Timberland Heights, TSNC commands an exceptional view of the entire metropolis.

At Northgate Cyberzone in Filinvest Corporate City, two buildings were added to the growing portfolio of BPO buildings. iHub 1 and iHub 2, with 23,600 square meters of gross leasable area (GLA), brought FLI's office building portfolio to 132,300 square meters as of year-end-2008.

Outlook for 2009

This year will be even more challenging for us. The sub prime mortgage crisis that started in the second half of 2007 in the United States has grown into a full-blown global economic crisis that has seen a number of giant international financial institutions fold up, and more asking for bail-outs from their respective governments. The Philippines' main export markets, as well as the main destinations for OFWs are in recession, and millions of people are losing their jobs worldwide. Economists are projecting the Philippines' 2009 GDP growth to range from 1% to 3% only. However, further downgrades are possible as more of the impact of the global financial crisis is felt.

Despite this, we believe that the demand for our Company's main business – mass housing – will remain strong. Most of our customers are first-time home buyers and therefore, their purchase of a house is more of a need rather than a want, and it is the dream of every Filipino family to own their own house. Filinvest Land, Inc. will continue to help its customers "**Build the Filipino Dream**" by offering affordable homes nationwide. Your Company will continue to innovate and come up with projects to meet our customer's demands.

FLI plans to launch 29 new projects and phases in 2009 with an expected total sales value of Php7.4 billion across all market segments. We plan to launch more phases in our ongoing mid-rise projects in Ortigas Extension and Marcos Highway in Pasig City, as well as in Davao and Cebu. We will also launch a similar project in a new location in Sta. Mesa, Manila.

Also in the pipeline is your Company's first high-rise project. The Linear, which is composed of two residential towers and a podium with commercial spaces, is ideally located in Makati City. The project will offer affordable residential condominium units at the periphery of the Makati Central Business District. We are targeting to break ground before the end of the year.


FLI recently signed a joint venture agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties (SRP), a 300-hectare reclaimed land project located in the heart of the City. Under the Agreement, FLI will develop forty (40) hectares under a revenue sharing agreement with the Government. The 40 hectares will be developed in four phases over a 20-year period with FLI contributing the development costs, as well as the marketing and management services. Another 10.6 hectares will be purchased outright by FLI. The first payment has been made to the Cebu City Government in March 2009, with the balance payable over the next six years. FLI plans to develop the 40 hectares mainly into clusters of mid-rise residential buildings while the 10.6 hectares, which has a kilometer-long sea frontage, will be developed into three or four mixed-use clusters. The clusters will include hotels, commercial or retail space, offices and residential condominiums. The master plan for the property is being finalized and FLI expects to launch its first project by the end of 2009 or early 2010.

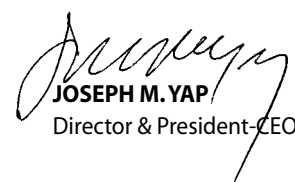
At Northgate Cyberzone, two more buildings, Vector One and Vector Two are expected to be completed within the year and will add another 35,600 square meters of GLA to our office building portfolio, bringing the total close to 168,000 square meters.

In 2008, your Company continued to invest in and develop our most valued resource – our people. Training programs and seminars were conducted to enhance the skills and to improve productivity of our staff and associates. Among these were Customer Service Training, 5S+1, Supervisory Skills, Work Values and Attitude Enhancement. We also expanded individual target setting in order to improve performance evaluation and enhance proper matching of rewards with outstanding job performance. As part of our commitment to the welfare of our employees and to help them through difficult economic times, management extended a temporary monthly financial assistance on top of the regular merit increase in order to mitigate the effects of the high inflation during the year.

FLI's management and staff will continue to work together as a team as it takes on the challenges of the year ahead and beyond. We remain financially prudent and cautious in our undertakings, but at the same time ready to take advantage of opportunities when they arise and strengthen your Company's position as the leading provider of mass housing in the country.

We would like to thank our stakeholders, our shareholders, employees and business partners who continue to trust and support the Company.


MERCEDES T. GOTIANUN
 Chairman


JOSEPH M. YAP
 Director & President-CEO