



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **AREIT, INC.** will be conducted virtually via <http://www.ayalagroupshareholders.com/> on **Thursday, April 21, 2022** at **2:00 o'clock in the afternoon** with the following

### A G E N D A<sup>1</sup>

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of Previous Annual and Special Stockholders' Meetings
4. Annual Report
5. Ratification of the Acts of the Board of Directors and Officers
6. Approval of Issuance of Common Shares in Exchange for Properties
7. Election of Directors (Including the Independent Directors)
8. Appointment of External Auditor and Fixing of its Remuneration
9. Consideration of Such Other Business as May Properly Come Before the Meeting
10. Adjournment

Only stockholders of record as of **March 22, 2022** are entitled to notice of, and to vote at, this meeting.

Given the current circumstances, and pursuant to the Company's By-Laws, the Board of Directors, during its meeting on November 12, 2021, approved that the Annual Stockholders' Meeting be held in a fully virtual format, hence, stockholders may only attend the meeting by remote communication, by voting *in absentia* or by appointing the Chairman of the meeting as their proxy.

Duly accomplished proxies shall be submitted on or before April 8, 2022 to the Office of the Corporate Secretary at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph). Validation of proxies is set for April 12, 2022 at 9:00 o'clock in the morning.

Stockholders may participate by remote communication or vote *in absentia* subject to validation procedures. Stockholders intending to participate by remote communication should notify the Company by email on or before April 8, 2022. The procedures for participating in the meeting through remote communication and for casting of votes *in absentia* will be set forth in the Information Statement.<sup>2</sup>

Stockholders of record as of March 22, 2022 owning at least 5% of the total outstanding capital stock of the Company may submit proposals on items for inclusion in the agenda on or before April 13, 2022.<sup>3</sup>

All email communications should be sent to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before the designated deadlines.

This notice supersedes the notice filed on March 8 and 10, 2022 with the Securities and Exchange Commission and the Philippine Stock Exchange.

Makati City, March 21, 2022.

  
**JUNE VEE D. MONTECLARO-NAVARRO**  
Assistant Corporate Secretary

<sup>1</sup> See next page for the explanation and rationale for each agenda item.

<sup>2</sup> Stockholders should notify the Company at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) of their preference to receive hard copies of the Information Statement and other ASM materials on or before March 22, 2022.

<sup>3</sup> The inclusion of the proposed agenda item is in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company's internal guidelines.

## **EXPLANATION AND RATIONALE OF AGENDA ITEMS**

### Call to Order

The Chairman will formally open the meeting at approximately 2:00 o' clock in the afternoon.

### Certification of Notice and Quorum (and Rules of Conduct and Procedures)

The Corporate Secretary will certify that written notice for the meeting was duly sent to stockholders and that a quorum exists for the transaction of business.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, the Company has set up a designated online web address which may be accessed by the stockholders to register and vote on the matters at the meeting *in absentia*.<sup>4</sup> A stockholder participating by remote communication or who votes *in absentia* shall be deemed present for purposes of quorum.

The following are the rules of conduct and procedures for the meeting to be conducted in virtual format:

- (i) Stockholders may attend the meeting remotely through the online web address (URL) provided. Questions and comments may be sent prior to or during the meeting to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) and shall be limited to the items in the Agenda.
- (ii) Each of the proposed resolutions will be shown on the screen during the livestreaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company on or before April 8, 2022 of their intention to participate in the meeting by remote communication to be included in determining the existence of a quorum, together with the stockholders who voted *in absentia* and by proxy.
- (iv) Voting shall only be allowed for stockholders registered in the Voting *in Absentia* and Shareholder (VIASH) System or through authorizing the Chairman of the meeting as proxy.
- (v) Stockholders voting *in absentia*, who have previously registered in the VIASH System, may cast their votes electronically at any time using the VIASH System prior to or during the meeting.
- (vi) All items in the agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.
- (vii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes. Each outstanding share of stock entitles the registered stockholder to one vote.
- (viii) The Office of the Corporate Secretary will tabulate all votes received and an independent third-party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.
- (ix) The meeting proceedings shall be recorded in audio and video format.
- (x) A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the matters arising from the meeting conducted.

### Approval of Minutes of Previous Annual and Special Stockholders' Meetings

The soft copy of the minutes of the Annual and Special Stockholders' Meetings held on April 23, 2021 will be distributed to the stockholders after their registration for the meeting.

A resolution approving the minutes will be presented to the stockholders and approved by the vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

### Annual Report

The President and Chief Executive Officer will deliver the "Message from the Chairman and President" which provides the highlights of the performance of the Company for the year 2021, including the significant operational and financial performance as well as, the milestones and achievements of the Company and the outlook of the Company for the year 2022 and beyond.

The Company's 2021 Integrated Report will contain the "Message from the Chairman and President." The Integrated Report in PDF format will be posted on the Company's website, [areit.com.ph](http://areit.com.ph).

The Audited Financial Statements (AFS) as of December 31, 2021 will be presented to the stockholders for their approval. The AFS will be embodied in the Information Statement that may be accessed by the stockholders at the Company's website, [areit.com.ph](http://areit.com.ph), and will also be set forth in the Integrated Report. The Audit Committee has recommended to the Board the approval of the AFS, and the Board approved the AFS on February 24, 2022.

A resolution noting the report and approving the AFS will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

### Ratification of the Acts of the Board of Directors and Officers

The acts of the Board and its Committees were those adopted since the annual stockholders' meeting on April 23, 2021 until April 22, 2022. They include the approval of agreements, projects, investments, treasury-related matters and other matters covered by disclosures to the Securities and Exchange Commission, the Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation. The acts of the officers were those taken to implement the resolutions of the Board or its Committees or in the general conduct of business.

A resolution on this agenda item will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

### Approval of Issuance of Common Shares in Exchange for Properties

Approval of the stockholders will be sought for the issuance of 252,136,383 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc. valued at Eleven Billion Two Hundred Fifty-Seven Million Eight Hundred Eighty-

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<sup>4</sup> The detailed instructions pertaining to the URL and the use thereof will be provided in the Information Statement.

Nine Thousand Five Hundred Thirty-Five and 91/100 Pesos (P11,257,889,535.91), under a property-for-share swap.

A resolution on this agenda item will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

Election of Directors (Including the Independent Directors)

The Corporate Governance and Nomination Committee of the Board has evaluated and determined that the eight (8) nominees to the Board, including the nominees for independent directors, have all the necessary qualifications to serve as directors and the expertise and competence, individually and collectively, to enable the Board to fulfill its roles and responsibilities and manage the Company to achieve its objectives.

The profiles of the candidates to the Board of Directors will be provided in the Information Statement.

Appointment of External Auditor and Fixing of its Remuneration

The Audit Committee of the Board will endorse to the stockholders the appointment of SyCip Gorres Velayo & Co. (SGV & Co.) as the external auditor for the ensuing year as well as its proposed remuneration. The external audit conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

The profile of SGV & Co. will be provided in the Information Statement.

A resolution for the appointment of the external auditor, SGV, and the fixing of its remuneration will be presented to the stockholders for adoption by the affirmative vote of stockholders representing a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

Consideration of Such Other Business as May Properly Come Before the Meeting

The Chairman will open the floor for comments and questions by the stockholders, and take up agenda items received from stockholders on or before April 13, 2022 in accordance with existing laws, rules and regulations of the Securities and Exchange Commission and the Company's internal guidelines.<sup>5</sup>

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<sup>5</sup> SEC Memorandum Circular No. 14, series of 2020 or "Shareholders' Right to Put items on the Agenda for Regular/Special Stockholders' Meetings": <https://www.sec.gov.ph/mc-2020/mc-no-14-s-2020shareholders-right-to-put-items-on-the-agenda-for-regular-special-stockholders-meetings/>.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT OF  
AREIT, INC. (the "Registrant", "Company" or "AREIT")  
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION  
CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter **AREIT, INC.**

3. Province, country or other jurisdiction of incorporation or organization  
**REPUBLIC OF THE PHILIPPINES**

4. SEC Identification Number **CS200613870**

5. BIR Tax Identification Code **006-346-689**

6. Address of principal office **28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City 1226**

7. Registrant's telephone number, including area code **(632) 7908 3804**

8. Date, time and place of the meeting of security holders

<b>Date</b>	<b>April 21, 2022</b>
<b>Time</b>	<b>2:00 pm</b>
<b>Place</b>	<b>To be conducted virtually through <a href="http://www.ayalagroupshareholders.com/">http://www.ayalagroupshareholders.com/</a><sup>6</sup></b>

9. Approximate date on which the Information Statement is first to be sent or given to security holders

<b>Date</b>	<b>March 24, 2022</b>
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10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act:

a. Shares of Stock as of February 28, 2022

<b>Common Shares</b>	<b>2,950,000,000</b>
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b. Amount of Debt Outstanding as of February 28, 2022

**P 3.85 Billion** (composed of short-term loans payable amounting to P890.00 million and P2,957.47 million (net of debt issue costs) fixed bonds due on 2023. The P3.85 billion debt outstanding is well within the aggregate leverage limit for a REIT. AREIT's leverage ratio as of December 31, 2021 is 11.6%.)

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes  No

**1,092,986,405 common shares are listed with the Philippine Stock Exchange ("PSE")**

12. Name of solicitor of proxies **AREIT, INC.**

13. Address and telephone no. of solicitor of proxies **28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City 1226  
(632) 7908 3804**

<sup>6</sup> Please refer also to Item 20 of this DIS.

# PROXY

## 1. IDENTIFICATION

This Proxy is being solicited by **AREIT, INC.**, on and in its behalf, in connection with the Annual and Special Stockholders' Meetings of **AREIT, INC.**, both to be held on April 21, 2022, at 2:00 and 2:45 o'clock in the afternoon, respectively.

## 2. INSTRUCTIONS

The undersigned stockholder of **AREIT, INC.** (the "Company") hereby appoints the Chairman of the meeting of the stockholders, as *attorney-in-fact* and *proxy*, to represent and vote all shares registered in his/her/its name at the annual and special meetings of stockholders of the Company, both on April 21, 2022 and at any of the adjournments thereof for the purpose of acting on the matters stated below.

Please place an "X" in the box below how you wish your votes to be cast in respect of the matters to be taken up during the meetings.

If no specific direction as to voting is given, the votes will be cast for the election of all nominees and for the approval of the resolutions on the matters stated below and as set out in the notice, and for such other matters as may properly come before the meeting in the manner described in the Information Statements and as recommended by the Chairman.

### Annual Stockholders' Meeting

1. Approval of minutes of previous meeting.  
 For       Against       Abstain
2. Annual report.  
 For       Against       Abstain
3. Ratification of the acts of the Board of Directors and Officers.  
 For       Against       Abstain
4. Approval of issuance of common shares in exchange for properties  
 For       Against       Abstain
5. Election of Directors

No. of Votes

Jose Emmanuel H. Jalandoni

Bernard Vincent O. Dy

Carol T. Mills

Augusto D. Bengzon

Mariana Zobel de Ayala

Independent Directors:

Omar T. Cruz

Enrico S. Cruz

Jessie D. Cabaluna

6. Appointment of SyCip Gorres Velayo & Co. as the external auditor and fixing of its remuneration.  
 For       Against       Abstain
7. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.  
 For       Against

### Special Stockholders' Meeting

1. Approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc.  
 For       Against       Abstain

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER /  
AUTHORIZED SIGNATORY

\_\_\_\_\_  
DATE

A scanned copy of this Proxy should be received by the Corporate Secretary at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before **April 8, 2022**, the deadline for submission of Proxies. For corporate stockholders, please attach to this Proxy form the Secretary's Certificate on the authority of the signatory to appoint the Proxy and sign this form.

### **3. REVOCABILITY OF PROXY**

A stockholder giving a Proxy has the power to revoke it at any time before the right granted is exercised. The Proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting. A Proxy is also considered revoked if the stockholder registers and votes on the Voting *In Absentia* & Shareholder (VIASH) System. This Proxy shall be deemed revoked after the right granted is exercised during the Annual and Special Stockholders Meetings of the Company on April 21, 2022. Shares represented by an unrevoked Proxy will be voted as authorized by the stockholder.

Stockholders participating by remote communication will not be able to vote unless they register in the VIASH system or authorize the Chairman of the meeting to vote as Proxy, on or before **April 8, 2022**.

### **4. PERSON MAKING THE SOLICITATION**

The solicitation is made by the Company. No director of the Company has informed the former in writing that she/he intends to oppose an action intended to be taken up by the Company at the Annual and Special Stockholders Meetings. Solicitation of the proxies shall be made through the use of ordinary mail, electronic means of communication, or personal delivery. The total estimated amount to be spent in connection with the release and sending of the Proxy forms is approximately P20,000.00. Costs for solicitation will be shouldered by the Company.

### **5. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

The directors and officers do not have a substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon other than election of the Board of Directors for the ensuing year. The Company has not received any written information from anyone seeking to oppose any action to be taken up in the Annual and Special Stockholders' Meetings of the Company.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

## INFORMATION REQUIRED IN INFORMATION STATEMENT

### **A. GENERAL INFORMATION**

Item 1. **Date, time and place of meeting of security holders (hereafter, the “annual stockholders’ meeting” or “meeting”)**

<b>Date</b>	<b>April 21, 2022</b>
<b>Time</b>	<b>2:00 pm</b>
<b>Place</b>	<b>To be conducted virtually through <a href="http://www.avalagroupshareholders.com/">http://www.avalagroupshareholders.com/</a><sup>7</sup></b>
<b>Principal Office</b>	<b>28<sup>th</sup> Floor, Tower One and Exchange Plaza Ayala Triangle, Ayala Avenue, Makati City 1226</b>

**The Information Statement may be accessed by the Company’s stockholders beginning March 24, 2022 at the Company’s website, [areit.com.ph](http://areit.com.ph).**

**The enclosed Proxy is solicited for and on behalf of the Company for use in connection with the Annual and Special Stockholders’ Meetings of the Company on April 21, 2022.**

Item 2. **Dissenters' Right of Appraisal**

Under Sections 41 and 80, Title X of the Revised Corporation Code of the Philippines (“Revised Corporation Code”), a stockholder shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of funds by the Company in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized.

No matters or actions to be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No current director or officer,<sup>8</sup> or nominee for election as director or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken at the annual and special stockholders’ meetings.

<sup>7</sup> Please also refer to Item 20 of this DIS.

<sup>8</sup> References to directors, officers, Board or Committees are references to directors, officers, Board or Committees of the Company, unless otherwise specified.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- (a) **Number of Shares Outstanding as of February 28, 2022:** Common Shares

**1,508,910,810**

**Number of Votes Entitled:** one (1) vote per share

- (b) **Record Date:** All stockholders of record as of March 22, 2022 are entitled to receive notice and to vote (through electronic voting *in absentia* or via proxy) at the annual stockholders' meeting. Stockholders of record as of March 22, 2022 may only attend the meeting by remote communication, by voting *in absentia* or by appointing the Chairman of the meeting as their proxy.

Duly accomplished proxy forms shall be submitted on or before April 8, 2022 to the Office of the Corporate Secretary at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph). Validation of proxies is set for April 12, 2022 at 9:00 o'clock in the morning.

- (c) **Manner of Voting**

Article II, Section 7 of the By-Laws of the Company (the "By-Laws") provide:

"Section 7 - Unless otherwise provided by law, each stockholder entitled to vote may vote in person, through remote communication, *in absentia*, electronically or otherwise or be represented by proxy at any regular or special stockholders' meeting, subject to compliance with rules and regulations as may be issued by the Securities and Exchange Commission from time to time. At all meetings of the stockholders, all elections and all questions, except in cases where hereunder specified or where other provision is made by statute or by the Articles of Incorporation, shall be decided by the majority vote of the stockholders present in person, through remote communication, *in absentia*, electronically or otherwise or by proxy, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. (as amended in a meeting of the Board of Directors and stockholders on September 26, 2018; and as further amended in a meeting of the Board of Directors on October 22, 2020 and later ratified on June 14, 2021, pursuant to the delegation by the stockholders to the Board of Directors of the power to amend the By-Laws on 23 April 2021.)

On November 12, 2021, the Board of Directors of the Company, approved and authorized the holding of a fully virtual 2022 annual stockholders' meeting, including all the necessary and related arrangements, and the internal guidelines or procedures on participation in meetings by remote communication and voting *in absentia* in compliance with the requirement of the Securities and Exchange Commission and in accordance with Sections 57 and 23 of the Revised Corporation Code. Stockholders may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. Please refer to Annex A (I) for the detailed instruction on electronic voting. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

- (d) **Security Ownership of Certain Record and Beneficial Owners and Management**

- i. Security Ownership of Record and Beneficial Owners of more than 5% as of February 28, 2022:

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent (of total outstanding shares)</b>
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Common	Ayala Land, Inc. <sup>9</sup> 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. <sup>10</sup>	Filipino	801,641,623	53.1271%
Common	PCD Nominee Corporation (Filipino) <sup>11</sup> G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers <sup>12</sup>	Filipino	453,965,623	30.0856%
Common	AyalaLand Offices, Inc. <sup>13</sup>	AyalaLand Offices, Inc. <sup>14</sup>	Filipino	96,292,435	6.3815%

ii. Security Ownership of Directors and Management (Executive Officers) as of February 28, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
<b>Directors</b>				
Common	Bernard Vincent O. Dy	(direct) 1	Filipino	0.0000%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.0000%
Common	Jose Emmanuel H. Jalandoni	(direct) 1	Filipino	0.0000%
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.0067%
Common	Enrico S. Cruz	(direct & indirect) 2,625,001	Filipino	0.1740%
Common	Omar T. Cruz	(direct & indirect) 956,901	Filipino	0.0634%
Common	Jessie D. Cabaluna	(direct & indirect) 25,001	Filipino	0.0017%
Common	Mariana E. Zobel de Ayala	(direct) 1	Filipino	0.0000%
<b>CEO and Most Highly Compensated Executive Officers</b>				
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.0067%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.0000%
Common	Elaine F. Alzona <sup>15</sup>	(indirect) 5,000	Filipino	0.0005%
Common	Ma. Teresa R. Famy <sup>16</sup>	(indirect) 12,000	Filipino	0.0008%
Common	Michael Anthony D. Garcia	0	Filipino	0.0000%
<b>Other Executive Officers</b>				
Common	Solomon M. Hermosura	0	Filipino	0.0000%
Common	Amelia Ann T. Alipao	(indirect) 20,000	Filipino	0.0013%
Common	June Vee D. Monteclaro-Navarro	(indirect) 20,000	Filipino	0.0013%
Common	Rowena P. Libunao	0	Filipino	0.0000%
<b>All Directors and Officers as a group</b>		<b>3,764,908</b>		<b>0.2495%</b>

No director or member of the Company's management owns 2.0% or more of the outstanding capital stock of the Company.

iii. Voting Trust Holders of 5% or more

The Company knows of no persons holding more than 5% of common shares under a

<sup>9</sup> Ayala Land, Inc. ("ALI") is the principal stockholder of the Company.

<sup>10</sup> Under the By-Laws of ALI and the Revised Corporation Code, the ALI Board has the power to decide how ALI's shares are to be voted.

<sup>11</sup> PCD is not related to the Company.

<sup>12</sup> Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote *in absentia* or through the Chairman of the meeting as proxy. Out of the 459,446,873 common shares registered in the name of PCD Nominee Corporation, 106,902,844 or 7.0848% of the outstanding capital stock is for the account of BPI Securities Corporation (BPI Trade). BPI Trade and any of its customers have not coordinated with the Company for the submission of SEC Form 18-A for beneficially owning more than 5% of the Company's common shares.

<sup>13</sup> AyalaLand Offices, Inc. is an affiliate of AREIT, Inc. for having ALI as their common stockholder owning at least 10% of their outstanding capital stock.

<sup>14</sup> The Board of AyalaLand Offices, Inc. has the power to decide how the shares are to be voted.

<sup>15</sup> Ms. Ma. Teresa R. Famy was appointed on May 26, 2021 as Chief Finance Officer and Chief Compliance Officer to replace Ms. Alzona effective July 1, 2021, and as Treasurer to replace Mr. Bengzon effective August 12, 2021.

<sup>16</sup> Ms. Ma. Teresa R. Famy was appointed on May 26, 2021 as Chief Finance Officer and Chief Compliance Officer to replace Ms. Alzona effective July 1, 2021, and as Treasurer to replace Mr. Bengzon effective August 12, 2021.

voting trust or similar agreement.

iv. Changes in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

(e) Foreign ownership level as of February 28, 2022:

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	1,508,910,810	57,376,177	3.8025%

Item 5. Directors and Executive Officers

Article III, Section 2 of the By-Laws provides in part:

“Section 2. Number and Term of Office. The Board of Directors shall have eight (8) members who shall be elected by the stockholders entitled to vote at the annual stockholders’ meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with these By-laws. (and as further amended in a meeting of the Board of Directors on October 22, 2020 and later ratified on June 4, 2021, pursuant to the delegation by the stockholders to the Board of Directors of the power to amend the By-Laws on 23 April 2021.)” xxx

The record of attendance of the directors at the meetings of the Board of Directors (the “Board”) held in 2021 is as follows:

Directors	No. of Meetings Attended/Held <sup>17</sup>	Percent Present
Jose Emmanuel H. Jalandoni	11/11	100%
Bernard Vincent O. Dy	11/11	100%
Carol T. Mills	11/11	100%
Augusto D. Bengzon	11/11	100%
Omar T. Cruz	11/11	100%
Enrico S. Cruz	11/11	100%
Simeon S. Cua	10/10	100%
Mariana Zobel de Ayala <sup>18</sup>	2/2	100%
Jessie D. Cabaluna <sup>19</sup>	1/1	100%

The Management Committee members and other officers, unless removed by the Board, shall serve as such until their successors are elected or appointed.

(a) Information required of Directors and Executive Officers

i. Directors and Executive Officers

The following persons, who constitute the final list of candidates, presented and approved by the Corporate Governance and Nomination Committee (composed of Jessie D. Cabaluna, Chairman, Omar T. Cruz, Enrico S. Cruz, members), have been nominated to the Board for the ensuing year and have accepted their nomination:

Jose Emmanuel H. Jalandoni  
Bernard Vincent O. Dy  
Carol T. Mills  
Augusto D. Bengzon  
Mariana Zobel de Ayala  
Omar T. Cruz  
Enrico S. Cruz  
Jessie D. Cabaluna

The nominees were formally nominated by a shareholder of the Company, Ms. Ma. Felora A. Mangawang, who owns 2,000 common shares or 0.0000013% of the total voting shares of the Company and who is not related to any of the nominees for independent directors.

<sup>17</sup> In 2021 and during the incumbency of the directors

<sup>18</sup> Ms. Zobel de Ayala’s election as member of the Board of Directors became effective on October 8, 2021.

<sup>19</sup> Ms. Cabaluna replaced Mr. Cua on December 3, 2021.

Messrs. Omar T. Cruz, Enrico S. Cruz, and Ms. Jessie D. Cabaluna are nominated as independent directors. All nominees are incumbent directors of the Company. The Corporate Governance and Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and the By-Laws of the Company.

Only nominees whose names appear in the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

Ms. Cabaluna has served as independent director since December 3, 2021, serving the remainder of the term of Mr. Simeon S. Cua. Messrs. Omar T. Cruz, Enrico S. Cruz, and Augusto D. Bengzon served as directors of the Company for more than one (1) year; Messrs. Bernard Vincent O. Dy, Jose Emmanuel H. Jalandoni and Ms. Carol T. Mills have served for more than five (5) years.

A summary of the qualifications of the incumbent directors, nominees for directors for election at the annual stockholders' meeting and incumbent officers is set forth in Annex "B". The certifications on the qualifications of independent directors are attached hereto as Annex "B-1".

The officers of the Company are elected annually by the Board during its organizational meeting.

**ii. Significant employees**

The Company currently does not have employees. Its entire workforce, including its officers are seconded from Ayala Land, Inc., or its subsidiaries. Nevertheless, the entire workforce is considered significant, and is expected to work together to achieve the Company's goals and objectives.

**iii. Family Relationships**

There are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive officers, and shareholders.

**iv. Involvement in Certain Legal Proceedings**

None of the directors or executive officers is involved in any material pending legal proceedings in any court or administrative agency.

As of December 31, 2021, the Company is not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

**(b) Certain Relationships and Related Transactions**

The Company, in its regular conduct of business, has entered into transactions with related parties consisting of lease of office spaces, advances, supply agreements, management, marketing and leasing, and administrative service agreements. These are based on terms agreed by the parties.

All related party transactions of the Company have to be approved by a majority of the entire membership of the Board of Directors, including the unanimous vote of all independent directors of the REIT. All related-party transactions of the Company to date have been approved by the Risk Management and Related Party Transactions Review Committee of the Company.

The table below sets out the principal ongoing transactions of the Company with related parties as of December 31, 2021:

<b>Related Parties</b>	<b>Nature of Transaction</b>	<b>Value of the Transaction</b>
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One, Ayala North Exchange and McKinley Exchange Corporate Center	Varying depending on supply charges computation and adjustments; for year ended December 31, 2021 electricity expense incurred

		amounted to ₱130.06 million (see Note 20 Audited FS) and ₱42.54 million for year ended December 31, 2020 (see Note 20 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management	Management fee recognized amounted to ₱28.18 million and ₱12.60 million for year ended December 31, 2021 and 2020 (see Note 20 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078.00 per month, subject to annual escalation of 5% (see Notes 18 and 20 of Audited FS)
Ayala Land, Inc.	Land lease agreements for Solaris, Teleperformance Cebu, Vertis Offices and Mall, and Bacolod Ayala Northpoint properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱65.72 million and ₱39.04 million in 2021 and 2020 (see Note 18 and 20 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	The Company recognized management fee expense amounting to ₱135.33 million and ₱37.37 million in 2021 and 2020 (see Note 20 of Audited FS), 0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of management fees and after deducting interest expense from lease liabilities for the relevant period.  Additional fees, if applicable: 1% of the acquisition price for every acquisition made.  The Company recognized ₱55.52 million acquisition fee related to the acquisition of properties which was capitalized by the Company.  0.50% of the sales price for every property divested.  No divestment happened in 2021.  The total fees paid to AREIT Fund Manager is within the limit provided under the REIT IRR.
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	The Company recognized management fee amounting to ₱103.78 million and ₱34.54 million for year 2021

		and 2020 (see Note 20 of Audited FS), computed based on 3% of Gross Rental Income plus Interest Income from finance lease for the relevant period (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company.
		The total fees paid to AREIT Property Manager is within the limit provided under the REIT IRR.
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company recognized land lease amounting to ₱74.02 million and ₱71.51 million for year 2021 and 2020 (see Note 20 of Audited FS)
Alveo Land Corp.	Contract of Lease dated January 5, 2018 for office space in Solaris One	The Company recognized rental income amounting to ₱4.62 million and ₱4.66 million in 2021 and 2020 (see Note 20 of the Audited FS)
Makati North Hotel Ventures, Inc.	Contract of Lease dated February 6, 2019 (for 100% of the serviced residences portion of Ayala North Exchange)	Year 1 to 5- Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot.  Year 6 onwards- Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot plus 5% of Total Hotel Revenues if Total Hotel Revenues exceed ₱500 million or 10% of Total Hotel Revenues if Total Hotel Revenues exceed ₱1 billion.
		The Company recognized interest income from finance lease receivables amounting to ₱151.39 million and ₱150.81 million in 2021 and 2020 (see Notes 18 and 20 of the Audited FS)
Bank of the Philippine Islands	Contract of Lease dated November 28, 2016 (0.23% of total gross leasable area in Solaris One)  Contract of Lease dated April 30, 2019 (10.5% of total gross leasable area in Ayala North Exchange)	The Company recognized rental income amounting to ₱146.33 million and ₱105.06 million in 2021 and 2020 (see Note 20 of the Audited FS)
First Gateway Real Estate Corp.	Contract of Lease dated May 29, 2019 for office space in Ayala North Exchange	₱73.50 million, lease for a period of seven (7) years, VAT exclusive; Rental income recognized amounted to ₱10.63 million and ₱10.52 million in 2021 and 2020 (see Note 20 of the Audited FS)
Amaia Land Corp.	Contract of Lease for office space in Alabang FGU	Rental income recognized amounted to ₱1.22 million in

Cebu District Property Enterprise, Inc.	Loan covered by a Promissory Note	2021 (see Note 20 of the Audited FS) Total outstanding receivable balance as of December 31, 2021 amounted to ₱45.10 million (see Note 20 of Audited FS)
Central Block Developers, Inc.	Loan covered by Promissory Note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱3.70 million (see Note 20 of the Audited FS)
Arvo Commercial Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱8.77 million (see Note 20 of the Audited FS)
Arca South Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱2.25 million (see Note 20 of the Audited FS)
Crans Montana Property Holdings Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱1.25 million (see Note 20 of the Audited FS)
Capitol Central Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱4.36 million (see Note 20 of the Audited FS)
ALI Makati Hotel Property Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱1.00 million (see Note 20 of the Audited FS)
Soltea Commercial Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱3.17 million (see Note 20 of the Audited FS)
Laguna Technopark, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱0.41 million (see Note 20 of the Audited FS)
AyalaLand Logistics Holdings Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱5.69 million (see Note 20 of the Audited FS)
ALI Triangle Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱1.66 million (see Note 20 of the Audited FS)
Cagayan De Oro Gateway Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱0.54 million (see Note 20 of the Audited FS)
Cavite Commercial Towncenter, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱0.66 million (see Note 20 of the Audited FS)

Bay City Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱337.98 million (see Note 20 of the Audited FS)
ALI Commercial Center, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱11.08 million (see Note 20 of the Audited FS)
Circuit Makati Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱0.06 million (see Note 20 of the Audited FS)
Airswift Transport, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱35.62 million (see Note 20 of the Audited FS)
AyalaLand Malls Synergies, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱2.46 million (see Note 20 of the Audited FS)
Amaia Land Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱84.12 million (see Note 20 of the Audited FS)
Westview Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱9.84 million (see Note 20 of the Audited FS)
Ayala Property Management Corporation	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱0.92 million (see Note 20 of the Audited FS)
Accendo Commercial Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱38.12 million (see Note 20 of the Audited FS)
Integrated Micro-Electronics, Inc.	Acquisition of Laguna Technopark Lots	Monthly rent of ₱60.00 per sq. m. starting January 1, 2020, exclusive of VAT, subject to annual escalation of 5% commencing on January 1, 2021.
Technopark Land, Inc.	Contract of Lease for Laguna Technopark Lots	₱1,106.53 million, inclusive of VAT
Ayala Land, Inc.	Acquisition of The 30 <sup>th</sup> Commercial Development	₱5,112.06 million, inclusive of VAT.

North Eastern Commercial Corp.	Building Lease for Ayala Malls The 30 <sup>th</sup>	<p>Rent shall be the higher amount between the (a) fixed rent as stated in the Contract of Lease plus six percent (6%) of rental income; or (b) Minimum Guaranteed Rent as set forth in the schedule indicated in the Contract of Lease; provided that, such fixed rent and minimum guaranteed rent shall be subject to an escalation rate of 3% every three (3) years.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱10.43 million in 2021 (see Notes 18 and 20 of the Audited FS)</p>
North Eastern Commercial Corp.	Assignment of Contracts over The 30 <sup>th</sup> Corporate Center	<p>Consideration is included in the sale, transfer, and conveyance of ownership of The 30<sup>th</sup> Corporate Center to AREIT</p>
Ayala Land, Inc., Westview Commercial Ventures Corp., and Glensworth Development, Inc.	Deed of Exchange for the Property-for-Share Swap Transaction <sup>20</sup>	<p>Issuance of 483,254,375 primary common shares in favor of ALI, WCVV, and GDI, in exchange for Swap Properties valued at ₱15,464.14 million at an exchange price of ₱32.00 per share.</p>
Westview Commercial Ventures Corp.	Land lease for Ayala Northpoint Technohub	<p>The lease generally provides for monthly rent based on a certain percentage of gross rental income.</p>
Ceci Realty, Inc.	Land leases for One and Two Evotech	<p><i>For One Evotech</i>  ₱29.43 per sq.m. per month (VAT-exclusive) from June 1, 2021 to September 30, 2027, subject to 5% escalation per annum; and beginning October 1, 2037 until September 30, 2058, monthly rent of ₱170.36 per sq.m. (VAT-exclusive), subject to an escalation of 5% per annum.</p> <p><i>For Two Evotech</i>  (a) ₱32.45 per sq.m. (VAT-exclusive) from rental commencement date, subject to escalation rate of 5% per annum for the first five years of the lease; (b) monthly rent for the succeeding years up to April 12, 2040 will be at 4% of AREIT's Gross Rental Income for the building or fixed land lease rate per sq.m., whichever is higher;</p>

<sup>20</sup> Appraisal Reports and a Fairness Opinion have been issued by Asian Appraisal Company, Inc. and Isla Lipana & Co., respectively, to establish the fairness of the valuation of the Shares and the Swap Properties.

North Eastern Commercial Corp.	Assignment of Tenant Contracts and Permits for Vertis North Commercial Development	(c) from April 13, 2040 to April 12, 2-58, fixed land lease rate of ₱197.10 per sq.m. (VAT-exclusive), subject to an escalation rate of 5% per annum. Assignment of contracts and permits is an incident of the transfer of ownership from ALI to AREIT
North Eastern Commercial Corp.	Contract of Building Lease of Vertis North Mall	Fixed Rent, as defined in the contract, plus 6% of rental income; or minimum guaranteed rent as set forth in the schedule attached to the contract, provided that the fixed rent and minimum guaranteed rent shall be subject to an escalation rate of three percent (3%) every three (3) years.
Ayala Land, Inc.	Contract of land lease for Vertis North Commercial Development	The Company recognized interest income from finance lease receivables amounting to ₱28.74 million in 2021 (see Notes 18 and 20 of the Audited FS) Variable rent of 6% of gross rental income from Vertis North Commercial Development

As of December 31, 2021, the Company has paid the following fees to its related parties:

<u>Related Parties</u>	<u>Nature of Transaction</u>	<u>Value of the Transaction</u>
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One, Ayala North Exchange and McKinley Exchange Corporate Center	Varying depending on supply charges computation and adjustments; for year ended December 31, 2021 electricity expense incurred amounted to ₱130.06 million (see Note 20 Audited FS) and ₱42.54 million for year ended December 31, 2020 (see Note 20 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management	Management fee recognized amounted to ₱28.18 million and ₱12.60 million for year ended December 31, 2021 and 2020 (see Note 20 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078.00 per month, subject to annual escalation of 5% (see Notes 18 and 20 of Audited FS)

<b>Related Parties</b>	<b>Nature of Transaction</b>	<b>Value of the Transaction</b>
Ayala Land, Inc.	Land lease agreements for Solaris, Teleperformance Cebu, Vertis Offices and Mall, and Bacolod Ayala Northpoint properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱65.72 million and ₱39.04 million in 2021 and 2020 (see Note 18 and 20 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	<p>The Company recognized management fee expense amounting to ₱135.33 million and ₱37.37 million in 2021 and 2020 (see Note 20 of Audited FS), computed based on 0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of management fees and after deducting interest expense from lease liabilities for the relevant period.</p> <p>Additional fees, if applicable: 1% of the acquisition price for every acquisition made.</p> <p>The Company recognized ₱55.52 million acquisition fee related to the acquisition of properties which was capitalized by the Company.</p> <p>0.50% of the sales price for every property divested .</p> <p>No divestment happened in 2021.</p> <p>The total fees paid to AREIT Fund Manager is within the limit provided under the REIT IRR.</p>

<b>Related Parties</b>	<b>Nature of Transaction</b>	<b>Value of the Transaction</b>
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	<p>The Company recognized management fee amounting to ₱103.78 million and ₱34.54 million for year 2021 and 2020 (see Note 20 of Audited FS), computed based on 3% of Gross Rental Income plus Interest Income from finance lease for the relevant (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company.</p> <p>The total fees paid to AREIT Property Manager is within the limit provided under the REIT IRR.</p>
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company recognized land lease amounting to ₱74.02 million and ₱71.51 million for year 2021 and 2020 (see Note 20 of Audited FS)
Integrated Micro-Electronics, Inc.	Acquisition of Laguna Technopark Lots	Monthly rent of ₱60.00 per sq. m. starting January 1, 2020, exclusive of VAT, subject to annual escalation of 5% commencing on January 1, 2021.
Technopark Land, Inc.	Contract of Lease for Laguna Technopark Lots	₱1,106.53 million, inclusive of VAT
Ayala Land, Inc.	Acquisition of The 30 <sup>th</sup> Commercial Development	₱5,112.06 million, inclusive of VAT.
North Eastern Commercial Corp.	Building Lease for Ayala Malls The 30 <sup>th</sup>	Rent shall be the higher amount between the (a) fixed rent as stated in the Contract of Lease plus six percent (6%) of rental income; or (b) Minimum Guaranteed Rent as set forth in the schedule indicated in the Contract of Lease; provided that, such fixed rent and minimum guaranteed rent shall be subject to an escalation rate of 3% every three (3) years.
		The Company recognized interest income from finance lease receivables amounting to ₱10.43 million in 2021 (see Notes 18 and 20 of the Audited FS)
North Eastern Commercial Corp.	Assignment of Contracts over The 30 <sup>th</sup> Corporate Center	Consideration is included in the sale, transfer, and conveyance of ownership of The 30 <sup>th</sup> Corporate Center to AREIT
Ayala Land, Inc., Westview Commercial Ventures	Deed of Exchange for the Property-for-Share Swap Transaction	Issuance of 483,254,375 primary common shares in favor of ALI, WVCV, and GDI,

Related Parties	Nature of Transaction	Value of the Transaction
Corp., and Glensworth Development, Inc.		in exchange for Swap Properties valued at ₱15,464.14 million at an exchange price of ₱32.00 per share.
Westview Commercial Ventures Corp.	Land lease for Ayala Northpoint Technohub	The lease generally provides for monthly rent based on a certain percentage of gross rental income.
Ceci Realty, Inc.	Land leases for One and Two Evotech	<p><i>For One Evotech</i> ₱29.43 per sq.m. per month (VAT-exclusive) from June 1, 2021 to September 30, 2027, subject to 5% escalation per annum; and beginning October 1, 2037 until September 30, 2058, monthly rent of ₱170.36 per sq.m. (VAT-exclusive), subject to an escalation of 5% per annum.</p> <p><i>For Two Evotech</i> (a) ₱32.45 per sq.m. (VAT-exclusive) from rental commencement date, subject to escalation rate of 5% per annum for the first five years of the lease; (b) monthly rent for the succeeding years up to April 12, 2040 will be at 4% of AREIT's Gross Rental Income for the building or fixed land lease rate per sq.m., whichever is higher; (c) from April 13, 2040 to April 12, 2-58, fixed land lease rate of ₱197.10 per sq.m. (VAT-exclusive), subject to an escalation rate of 5% per annum.</p>
North Eastern Commercial Corp.	Assignment of Tenant Contracts and Permits for Vertis North Commercial Development	Assignment of contracts and permits is an incident of the transfer of ownership from ALI to AREIT
North Eastern Commercial Corp.	Contract of Building Lease of Vertis North Mall	Fixed Rent, as defined in the contract, plus 6% of rental income; or minimum guaranteed rent as set forth in the schedule attached to the contract, provided that the fixed rent and minimum guaranteed rent shall be subject to an escalation rate of three percent (3%) every three (3) years.
Ayala Land, Inc.	Contract of land lease for Vertis North Commercial Development	<p>The Company recognized interest income from finance lease receivables amounting to ₱28.74 million in 2021 (see Notes 18 and 20 of the Audited FS</p> <p>Variable rent of 6% of gross rental income from Vertis</p>

Related Parties	Nature of Transaction	Value of the Transaction	
		North Development	Commercial

On March 10, 2022, the Risk Management and Related Party Transactions Review Committee of the Company, approved and endorsed the subscription of Ayala Land, Inc. to 252,136,383 primary common shares of AREIT in exchange for identified key commercial properties valued at ₱11,257,889,535.91 under a property-for-share swap transaction at a final transaction price of ₱44.65 per share ("Property-for-Share Swap Transaction" or the "Transaction"), as validated by a third-party fairness opinion. The Board of Directors of the Company, by unanimous vote likewise approved the transaction on even date.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AREIT employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

Material related transactions are reviewed and approved by the Risk Management and Related Party Transactions Review Committee in accordance with the Company's Related Party Transactions Policy.

**(c) Ownership Structure and Parent Company**

Ayala Land, Inc. is the majority shareholder and Sponsor of AREIT which owns 53.1272% of the total outstanding voting shares of the Company as of February 28, 2022. AyalaLand Offices, Inc. and Westview Commercial Ventures Corp., 100%-owned subsidiaries of ALI, respectively own 6.386% and 2.4815% of total outstanding voting shares of the Company as of February 28, 2022. Glensworth Development, Inc., a 100%-owned subsidiary of AyalaLand Offices, Inc. owns 4.1186% of the total outstanding voting shares of the Company as of February 28, 2022.

**(d) Resignation of Directors**

Mr. Simeon S. Cua tendered his resignation as Independent Director of the Company on December 3, 2021 due to personal reasons. Other than such resignation, no director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies and practices.

**Item 6. Compensation of Directors and Executive Officers**

**(a) Executive Compensation\***

Name and Principal Position	Year	Salary	Other Variable Pay
Carol T. Mills President & CEO			
August D. Bengzon Treasurer**			
Elaine Marie F. Alzona CFO and Chief Compliance Officer***			
Ma. Teresa R. Famy Treasurer, CFO, Chief Compliance Officer****			
Michael Anthony L. Garcia Investor Relations Officer			
	Actual 2020	₱5.13M	*₱3.01M

CEO & Most Highly Compensated Executive Officers	Actual 2021	₱9.22	₱4.05
	Projected 2022	₱10.24	₱5.47
All other officers***** as a group unnamed			
	Actual 2021	₱1.04	₱0.45
	Projected 2022	₱1.13	₱0.64

\* Exclusive of Stock Option exercise.

\*\* Replaced by Ma. Teresa R. Famy as Treasurer effective August 12, 2021.

\*\*\* Replaced by Ma. Teresa R. Famy as Chief Finance Officer and Chief Compliance Officer effective July 1, 2021.

\*\*\*\* Replaced Elaine Marie F. Alzona as Chief Finance Officer and Chief Compliance Officer effective July 1, 2021 and Augusto D. Bengzon as Treasurer effective August 12, 2021.

\*\*\*\*\* Managers and up.

The executive officers are all seconded from Ayala Land, Inc, and they receive no compensation, salary, or per diem from the Company. The amounts stated above cover the compensation of the executive officers of AREIT as secondees from Ayala Land, Inc. Other variable pay paid to the officers by Ayala Land, Inc. covers bonuses. The total annual compensation of the President and top five highly compensated executives amounted to ₱8.14 million in 2020 and ₱13.27 million in 2021. The projected total annual compensation for 2022 is ₱15.71 million.

The total annual compensation paid to all executive officers was all paid in cash.

## (b) Compensation of Directors

Article III, Section 12 of the By-Laws provides:

“Section 12 – By resolution of the Board of Directors, each director, may receive a reasonable per diem allowance for his attendance to each meeting of the Board of Directors. Any additional compensation, other than per diems, to be given to the members of the Board of Directors shall be subject to approval by stockholders representing majority of the outstanding capital stock.

A director, except an independent director, shall not be precluded from serving the Corporation in any other capacity such as an officer, agent or otherwise, and from receiving compensation thereof.

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provision of the REIT Act and other applicable laws, rules, and regulations. No director shall be involved in the determination of his own per diem or compensation during his incumbent term.

### i. Standard Arrangement (Current Compensation)

Other than payment of reasonably per diem of ₱40,000 for the independent directors for every Board meeting and ₱20,000 for every committee meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, directly or indirectly, for any services provided as director.

In 2021, the following independent directors of the Corporation received gross compensation, as follows:

Director	Per Diem	Total
Omar T. Cruz	540,000.00	540,000.00
Enrico S. Cruz	540,000.00	540,000.00
Simeon S. Cua*	440,000.00	440,000.00

\* Resigned due to personal reasons effective December 3, 2021.

### ii. Other Arrangement

There are no other arrangements pursuant to which any of the directors of the Company is compensated, directly or indirectly, for any service provided as a director.

## (c) Employment Contracts and Termination of Employment and Change-in-Contract Arrangements

The above-named executive officers are covered by letters of appointment stating their respective job functionalities, among others.

**(d) Warrants and Options Outstanding: Repricing**

There are no outstanding warrants or options in connection with the shares of the Company held by any of the directors or executive officers.

**Item 7. Independent Public Accountants**

- (a) The principal accountant and external auditor of the Company is SyCip Gorres Velayo & Co. (SGV & Co.). The same accounting firm is being recommended for re-appointment at the annual stockholders' meeting.
- (b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to participate at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Mr. Dolmar C. Montañez is the Partner-in-Charge for the audit years 2016 to 2021.

**(c) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosure.

**(d) Audit and Audit-Related Fees**

AREIT paid its external auditor the following fees in the past two years: (in Php million; inclusive of out-of-pocket expenses and VAT)

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2021	806,971.20	-	3,986,640.00
2020	699,562.50	-	3,453,432.50

Audit and Audit-related Fees pertain to the audit of the financial statements of the company as of and for the year ending December 31, 2021, inclusive of VAT and out-of-pocket expenses.

**(e) Tax Fees**

No tax consultancy services were secured from entities other than the external auditor, and no other fees were paid for tax consultancy services.

**(f) Other Fees**

For 2020 and 2021, other fees paid to SGV is higher than the audit and audit-related fees due to the engagement of SGV as external auditor for the registration with the SEC and the listing with the PSE of AREIT as a real estate investment trust company and its initial public offering, as well as for AREIT's maiden bond offering last 2021 listed with the Philippine Dealing and Exchange Corp.

Under paragraph 3.3 (a) of the AREIT Audit Committee Charter, the Audit Committee (composed of Enrico S. Cruz, Chairman, Omar T. Cruz and Augusto D. Bengzon, members) recommends to the Board the appointment of the external auditor and the audit fees.

**Item 8. Compensation Plans**

No matters or actions with respect to any compensation plan pursuant to which cash or non-cash compensation may be paid or distributed will be taken up during the meeting.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

#### **a. Amount of Securities to be Authorized or Issued:**

##### **i. Issuance of shares to Ayala Land, Inc.**

To be presented for the approval of the shareholders is the issuance of 252,136,383 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc., valued at Eleven Billion Two Hundred Fifty-Seven Million Eight Hundred Eighty-Nine Thousand Five Hundred Thirty-Five and 91/100 Pesos (₱11,257,889,535.91), independently evaluated and recommended to the Company by AREIT Fund Managers, Inc., ("AFMI") under a property-for-share swap with a final transaction price of ₱44.65/share, and validated by a fairness opinion issued by Isla Lipana & Co. ("Isla Lipana"), attached hereto as Annex "E." The properties to be infused have been evaluated by AFMI and have been appraised by the Company's property appraiser, Asian Appraisal Company, Inc. ("Asian Appraisal"). The Valuation Reports issued by Asian Appraisal dated March 9, 2022 are collectively attached hereto as Annex "F." In valuing the assets, Asian Appraisal used the unaudited financial statements of the properties as of December 31, 2021 and discounted the forecasted future cashflows at a weighted average cost of capital (WACC) of 8.38%. Final transaction value is the price negotiated by the Parties taking into account the appraised values and the fairness opinion issued.

<b>Property</b>	<b>Registered Owner</b>	<b>Fair Market Value</b>	<b>Transaction Value (in Php)</b>
eBloc 1	Ayala Land, Inc.	₱2,106,540,000.00	₱ 2,120,348,829.91
eBloc 2	Ayala Land, Inc.	₱2,645,690,000.00	₱ 2,659,373,160.10
eBloc 3	Ayala Land, Inc.	₱1,376,300,000.00	₱-1,384,962,336.23
eBloc 4	Ayala Land, Inc.	₱1,743,040,000.00	₱-1,748,801,500.40
ACC Tower	Ayala Land, Inc.	₱2,185,420,000.00	₱-2,185,801,355.37
Tech Tower	Ayala Land, Inc.	₱1,204,120,000.00	₱-1,158,602,353.92
<b>Total</b>		<b>₱11,261,110,000.00</b>	<b>₱11,257,889,535.91</b>

(collectively referred to as "Properties")

The following primary common shares will be issued to Ayala Land, Inc., in exchange for the above-described Properties:

<b>Stockholder</b>	<b>Number of Shares</b>
ALI	252,136,383 ("Shares")

The Properties will be used as Ayala Land, Inc.'s payment for the Shares. The transaction will be implemented as a property-for-share swap, subject to the fairness opinion on the valuation of the Shares and of the Properties prepared and issued by Isla Lipana, an independent fairness opinion provider accredited by both the SEC and the PSE. The properties to be infused have been evaluated by AFMI and have been appraised by the Company's property appraiser, Asian Appraisal

This matter was approved by the Risk Management and Related Party Transactions Review Committee of AREIT (composed of Omar T. Cruz, as Chairman, and Enrico S. Cruz and Jessie D. Cabaluna, as members) and ratified by the Board of Directors of the Company by unanimous vote on March 10, 2022.

The Company will apply for the listing of the new shares issued to Ayala Land, Inc. upon approval of all regulatory agencies, and the relevant exchange. The issuance of the shares will be submitted for approval of the stockholders. A copy of the Comprehensive Corporate Disclosure for this purpose will be sent to the stockholders in connection with this proposal.

#### **b. Description of Registrant's Securities:**

The Company's current authorized capital stock is Twenty-Nine Billion Five Hundred Million Pesos (₱29,500,000,000.00) divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) common shares, with a par value of Ten Pesos (₱10.00) per share. As of December 31, 2021, 1,576,240,780 shares of the Company are issued and 1,508,910,810

shares are outstanding. Stockholders of the Company enjoy full dividend and voting rights in accordance with the Revised Corporation Code, pro-rata to their shareholdings. Pursuant to Seventh Article of the Company's Articles of Incorporation, no stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Company, whether issued from its unissued capital, increase in its authorized capital, or its treasury stock. There are no class of shares which enjoy preferential rights as to voting or dividends.

c. Nature and approximate amount of consideration received or to be received by the Company and amounts devoted to each purpose.

- i. Issuance of shares to Ayala Land, Inc. To be presented for the approval of the shareholders is the issuance of 252,136,383 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc., valued at Eleven Billion Two Hundred Fifty-Seven Million Eight Hundred Eighty-Nine Thousand Five Hundred Thirty-Five and 91/100 Pesos (₱11,257,889,535.91), independently evaluated and recommended to the Company by AFMI, under a property-for-share swap with a final transaction price of ₱44.65/share, validated by the fairness opinion issued by Isla Lipana. The properties to be infused have been evaluated by AFMI, and have been appraised by the Company's property appraiser, Asian Appraisal. The shares will be transferred to Ayala Land, Inc. upon approval of the stockholders of the Company, and upon compliance with all regulatory approvals.

As the first Philippine Real Estate Investment Trust (REIT) which successfully listed amidst the pandemic, AREIT aspires to further grow its leasing portfolio with prime and stable assets. The planned property-for-share swap will further increase AREIT's portfolio from 549,000 square meters to 673,000 square meters of gross leasable area; diversify its geographic and tenant base; increase AREIT's assets under management to Sixty-Three Billion Pesos; and at a transaction price of ₱44.65/share, the assets to be infused are yield accretive to AREIT at a capitalization rate of 6%. At 6% capitalization rate, the Properties were valued based on a stable level of operating income and the expected yield of the property after considering a long-term sustainable growth of 3%. AREIT's 2021 yield from its existing assets is approximately 4.0%. Overall yield will increase to approximately 5.0% after the new assets are infused. Estimated yields and total shareholder return are subject to actual operating performance and market conditions.

This matter was approved by the Board of Directors of AREIT on March 10, 2022.

The Properties to be infused by Ayala Land, Inc. and the corresponding primary common shares that will be issued to the said entities by virtue of the property-for-share swap are as follows:

#### Properties Subject of Property-For-Share Swap

Property	Registered Owner	Fair Market Value	Transaction Value (in Php)
eBloc 1	Ayala Land, Inc.	₱2,106,540,000.00	₱ 2,120,348,829.91
eBloc 2	Ayala Land, Inc.	₱2,645,690,000.00	₱ 2,659,373,160.10
eBloc 3	Ayala Land, Inc.	₱1,376,300,000.00	₱-1,384,962,336.23
eBloc 4	Ayala Land, Inc.	₱1,743,040,000.00	₱-1,748,801,500.40
ACC Tower	Ayala Land, Inc.	₱2,185,420,000.00	₱-2,185,801,355.37
Tech Tower	Ayala Land, Inc.	₱1,204,120,000.00	₱-1,158,602,353.92
<b>Total</b>		<b>₱11,261,110,000.00</b>	<b>₱11,257,889,535.91</b>

#### Breakdown of Shares to be Issued to Ayala Land, Inc.

Stockholder	Number of Shares
ALI	252,136,383

The Properties will be used as Ayala Land, Inc.'s payment for the shares. The transaction will be implemented as a property-for-share exchange, subject to the fairness opinion on the valuation of the Shares and of the Properties prepared and issued by Isla Lipana, an independent fairness opinion provider accredited by both the SEC and the PSE. The properties to be infused have been evaluated by AFMI and have been appraised by the Company's property appraiser, Asian Appraisal.

This matter was approved by the Risk Management and Related Party Transactions Review Committee of AREIT (composed of Omar T. Cruz, as Chairman, Enrico S. Cruz, and Jessie D. Cabaluna, as members) and ratified by the Board of Directors of the Company by unanimous vote both on March 10, 2022.

The Company will apply for the listing of the new shares issued to Ayala Land, Inc. upon approval of all regulatory agencies, and the relevant exchange. The issuance of the shares will be submitted for approval of the stockholders. A copy of the Comprehensive Corporate Disclosure for this purpose will be sent to the stockholders in connection with this proposal.

The Company will pay the following approximate fees in connection with the proposed property-for-share swap:

<b>Nature of Fees</b>	<b>Amounts (in Php)</b>
(1) Original Issuance of Shares out of the ACS	
a) SEC	
• Filing Fee	5,042,727.66
• Legal Research Fee	50,427.28
• Amendments to By-Laws	1,000.00
• Amendments to Articles of Incorporation	1,000.00
b) BIR	
• DST on Original Issuance of Shares	25,213,638.30
(2) Listing of Shares (PSE)	
• Processing Fee	50,000.00
• Additional Listing Fee for Shares for Property Swap	12,608,836.28
(3) Property Transfer (Local Government Units)	
• Local Transfer Tax	56,289,447.68

The issuance of shares in favor of Ayala Land, Inc. will have the effect of diluting the ownership interest of the existing stockholders in the Company to the extent of such shares, and such existing stockholders will have no pre-emptive rights on such shares.

ii. Valuation.

Isla Lipana- was engaged by the Company for the issuance of the independent fairness opinion and valuation for the property-for-share swap. Isla Lipana was selected for their competency, experience and ability to deliver on a tight timeline. They have a long track record of providing professional services in the Philippines and is acknowledged to have one of the highest quality standards in delivering audit and assurance, tax and advisory services within and outside the Philippines.

The Company and all parties of the property-for share swap gave no special instruction or imposed no limitation to Isla Lipana that will compromise the independence of the latter and will invalidate the fairness opinion.

Isla Lipana used the Discounted Cashflows (“DCF”) Approach as the primary method to estimate the fair value of the Company’s shares and the Properties. Under the DCF approach, Isla Lipana discounted the cashflows of the Company and the Properties based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model. The Comparable Companies Approach and Precedent Transactions Approach were used as secondary methods to cross-check the value of the AREIT shares. The Direct Capitalization Approach was used to cross-check the value of the Properties.

**Item 10. Modification or Exchange of Securities**

The Company will not be presenting any matter or act involving the modification of any class of the Company’s securities or the issuance or authorization for issuance of one class of the Company’s securities in exchange for outstanding securities of another class during the meeting.

**Item 11. Financial and Other Information**

The audited financial statements as of December 31, 2021, Management’s Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company’s financial information are attached hereto as Annex “C”. The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

## Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no proposed merger, consolidation, acquisition by sale, or liquidation of the Company that will be presented during the meeting.

## Item 13. Acquisition or Disposition of Property

### *Background of the Transaction*

The acquisition of property owned by Ayala Land, Inc. valued at Eleven Billion Two Hundred Fifty-Seven Million Eight Hundred Eighty-Nine Thousand Five Hundred Thirty-Five and 91/100 Pesos (₱11,257,889,535.91), in exchange for the issuance of 252,136,383 primary common shares to Ayala Land, Inc., via a property-for-share swap, will be presented to the stockholders for approval. AFMI has recommended the acquisition of the Properties after independent evaluation of the assets, based on the Properties’ background, track record, and available third-party appraisal and valuation reports, and in accordance with the Company’s investment policy.

The Company and Ayala Land, Inc., will execute a property-for-share swap transaction whereby the Company will issue the Shares to Ayala Land, Inc. (as illustrated in the table below) in exchange for the following identified properties valued at ₱11,257,889,535.91, at a final transaction price of ₱44.65/share:

### Properties Subject of Property-For-Share Swap

Property	Registered Owner	Fair Market Value	Transaction Value (in Php)
eBloc 1	Ayala Land, Inc.	₱2,106,540,000.00	₱ 2,120,348,829.91
eBloc 2	Ayala Land, Inc.	₱2,645,690,000.00	₱ 2,659,373,160.10
eBloc 3	Ayala Land, Inc.	₱1,376,300,000.00	₱-1,384,962,336.23
eBloc 4	Ayala Land, Inc.	₱1,743,040,000.00	₱-1,748,801,500.40
ACC Tower	Ayala Land, Inc.	₱2,185,420,000.00	₱-2,185,801,355.37
Tech Tower	Ayala Land, Inc.	₱1,204,120,000.00	₱-1,158,602,353.92
<b>Total</b>		<b>₱11,261,110,000.00</b>	<b>₱11,257,889,535.91</b>

An overview of the Properties are as follows:

	eBloc 1	eBloc 2	eBloc 3	eBloc 4	ACC Tower	Tech Tower
<b>Year Completed</b>	2009	2011	2014	2015	2016	2018
<b>No. of Storeys</b>	12	16	12	12	20	12
<b>Description</b>	Grade A commercial building, PEZA-accredited					
<b>Location</b>	Cebu IT Park	Cebu IT Park	Cebu IT Park	Cebu IT Park	Ayala Center Cebu	Ayala Center Cebu
<b>Building Owner</b>	Ayala Land, Inc.					
<b>GLA (sq. m)</b>	20,842	27,727	15,233	16,167	27,517	16,813
<b>Overall Occupancy (Office and Retail)</b>	96%	98%	97%	99%	97%	91%
<b>Right over Land</b>	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold

The properties average a monthly office rent per sqm of ₱605

## Breakdown of Shares to be Issued to Ayala Land, Inc.

Stockholder	Number of Shares
ALI	252,136,383

The Properties will be used as ALI's payment for the Shares. The Transaction will be implemented as a property-for-share swap, subject to the fairness opinion on the valuation of the Shares and of the Properties prepared and issued by Isla Lipana, an independent fairness opinion provider accredited by both the SEC and the PSE. The Properties to be infused have been evaluated by AFMI and have been appraised by the Company's property appraiser, Asian Appraisal.

The infusion of the Properties into the Company through the Transaction is in line with the objective of both the Company, and its Sponsor, Ayala Land, Inc., to grow the asset base of the Company through the infusion of several high-quality assets. From the outset, it is the objective of both the Company and Ayala Land, Inc. to grow the Company's portfolio to maximize the value accretion of AREIT's shareholders including its minority retail investors.

Subject to the approval of the stockholders on the Company's annual stockholders meeting on April 21, 2022, up to 252,136,383 primary common shares will be issued to Ayala Land, Inc. in exchange for the Properties, valued at ₱11,257,889,535.91, under a property-for-share swap with final transaction price of ₱44.65/share, validated by the fairness opinion issued by Isla Lipana.

The Company will apply for the additional listing of the shares resulting from the original issuance of shares in favor of Ayala Land, Inc. The majority vote representing the outstanding shares held by the minority stockholders present and represented in the Special Stockholders' Meeting shall likewise be obtained for the issuance of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc., as part of the requirements of the Philippine Stock Exchange in connection with its rules on additional listing of shares.

The exchange of the Shares for the Properties will qualify as a tax-free exchange under Section 40(C)(2) of the Tax Code, as amended, which provides that:

(2) Exception. - \* \* \*

No gain or loss shall also be recognized on a corporation or on its stock or securities if such corporation is a party to a reorganization and exchanges property in pursuance to a plan of reorganization solely for stock or securities in another corporation that is a party to the reorganization. A reorganization is defined as: XXX

No gain or loss shall also be recognized if property is transferred to a corporation by a person alone or together with others, not exceeding four (4) persons, in exchange for stock or unit of participation in such a corporation of which as a result of such exchange the transferor or transferors, collectively, gains or maintains control of said corporation: *Provided*, That stocks issued for services shall not be considered as issued in return for property. XXX"

Section 40 (C) (2) of the Tax Code, as amended, has been interpreted by the Supreme Court in the case of Commissioner of Internal Revenue vs. Filinvest Development Corporation (G.R. No. 167689, 9 July 2011), to mean that a tax-free exchange applies when the controlling person gains "further control" or transfers where the exchanger already has control of the corporation at the time of the exchange.

The Company expects to execute the Deed of Exchange and file the application for approval of the original issuance of shares with the SEC within May 2022, and the issuance of Certificates Authorizing Registration (CAR) with the relevant Revenue District Office of the Bureau of Internal Revenue ("BIR") within the fourth quarter of 2022. The SEC's approval of the Transaction and the BIR's issuance of a CAR are expected to be issued within the year. The Company shall likewise apply for the additional listing of shares with the Exchange by the first quarter of 2023. The indicative timetable for implementation of the Transaction is as follows:

### Indicative Timetable for Implementation

Annual Stockholders' Meeting	April 21, 2022
Deed of Exchange Execution	May 2022
SEC Approval (Issuance of Shares, and Transaction)	Q2 to Q3 2022
Issuance of CAR	Q4 2022

*Nature and amount of consideration*

The Properties were valued by the Company at ₱11.26 Billion, and the transaction price of ₱44.65 per share as identified by Isla Lipana as the range of fair values, and the Appraisal Reports issued by Asian Appraisal.

The shares will be issued by the Company to Ayala Land, Inc., at a final transaction price of ₱44.65/share-which is based on AFMI's valuation of the shares, and which the Company believes is fair to both the Company, as the issuer and Ayala Land, Inc., as the subscribers. The issue price of ₱44.65/share is within the range of fair values based on the fairness opinion to be issued by Isla Lipana.

Subject to regulatory approvals, including the issuance of the CAR by the BIR following is the requirements of a tax-free exchange under the Tax Code, as amended, the Transaction will close upon the listing of the Shares with the PSE.

*Valuation*

The Discounted Cashflows (DCF) Approach was used as the primary method to estimate the fair value of the AREIT shares and Properties. Under the DCF approach, Isla Lipana discounted the cashflows of the Company and the Properties based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model. The Comparable Companies Approach and Precedent Transactions Approach were used as secondary methods to cross-check the value of the AREIT shares. The Direct Capitalization Approach was used to cross-check the value of the Properties.

*Identities of the Beneficial Owners*

<b>Beneficial Owners/ Subscribers</b>	<b>Nature of Business</b>	<b>Nature of any material relationship with the Issuer and the parties to the transaction, their directors/officers or any of their affiliates</b>
Ayala Land, Inc.	ALI is a public corporation organized under the laws of the Philippines. ALI is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. ALI holds a balanced and complimentary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. ALI has ample experience in the real estate industry in the Philippines, focusing its business on strategic business lines, including property development, commercial leasing, hotels and resorts, and real estate-adjacent services.	<p>ALI is the Sponsor of AREIT, and as of the date hereof, directly and indirectly owns 66.1086% of AREIT shares, as follows:</p> <p>ALI – direct ownership of 801,641,623 shares equivalent to 53.13%</p> <p>ALO – indirect ownership of 96,292,435 shares equivalent to 6.3815% ALO is 100% owned by ALI</p> <p>WCVC – indirect ownership of 37,443,313 shares equivalent to 2.4814% WCVC is 100% owned by ALI</p> <p>GDI – indirect ownership of 62,146,531 shares equivalent to 4.1186% GDI is 100% owned by ALO</p>

Ownership Structure of the Company Before and After the Transaction

Stockholder	Current (as of December 31, 2021; before property for share swap)		Indicative Post-Transaction (after property for share swap)	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
ALI	801,641,623	53.13%	1,053,778,006	59.84%
ALO	96,292,435	6.38%	96,292,435	5.47%
GDI	62,146,531	4.12%	62,146,531	3.53%
WCVC	37,443,313	2.48%	37,443,313	2.13%
Non-ALI/Public	511,386,908	33.89%	511,386,908	29.04%
<b>TOTAL</b>	<b>1,508,910,810</b>	<b>100.00%</b>	<b>1,761,047,193</b>	<b>100.00%</b>

The Company shall ensure that Ayala Land, Inc. sells some of its shareholdings in the Company prior to the execution of the property-for-share swap in order to ensure compliance with the minimum public ownership requirements imposed upon the Company. The relevant disclosures on the sale of shareholdings, as well as the Reinvestment Plan for the proceeds received by ALI from the sale of shareholdings will be made in due course. The Transaction and the sale of ALI's shareholdings in the Company will not reduce the public float.

Item 14. **Restatement of Accounts**

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity. As a result, the comparative December 31, 2020 audited statement of financial position and comparative statement of comprehensive income and statement of changes in equity for years ended December 31, 2020 and 2019 were restated to reflect the effect of the voluntary change.

Statement of Financial Position

	Ref	As previously reported December 31, 2019	Adjustment	As restated January 1, 2020
<b>Assets</b>				
Receivables	b	₱4,551,478,656	(₱369,059,057)	₱4,182,419,599
Investment properties	a	6,192,374,393	19,188,255,159	25,380,629,552
<b>Liabilities</b>				
Deferred tax liabilities – net	a, d	₱67,232,321	₱3,387,455,299	₱3,454,687,620
<b>Equity</b>				
Retained earnings	a	1,022,804,424	15,431,740,803	16,454,545,227

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
<b>Assets</b>				
Receivables	b	₱4,984,916,013	(₱416,501,236)	₱4,568,414,777
Investment properties	a	8,303,802,471	20,885,872,514	29,189,674,985
<b>Equity</b>				
Retained earnings	a	₱1,296,128,252	₱20,469,371,278	₱21,765,499,530

Statement of Comprehensive Income

	Ref	As previously reported December 31, 2019	Adjustment	As restated December 31, 2019
Direct operating expenses	c	₱544,896,759	(₱190,575,638)	₱354,321,121
Net fair value gain in investment properties	a	-	2,746,772,709	2,746,772,709
Provision for income tax	d	294,448,184	494,419,088	788,867,272
Net income		1,261,410,487	2,442,929,259	3,704,339,746

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
Direct operating expenses	c	₱647,213,560	(₱203,146,629)	₱444,066,931
Net fair value gain in investment properties	a	-	1,424,645,596	1,424,645,596
Provision for income tax	d	106,576,453	(3,387,455,299)	(3,280,878,846)
Net income		1,227,184,312	5,037,630,475	6,264,814,788

Below are the discussions of the adjustments:

- a. Under fair value accounting, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on the “income approach” which is based on the buildings’ discounted future cash flows. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Gains and losses arising from the fair value accounting are adjusted to retained earnings as at January 1, 2020. This resulted to an increase in deferred tax liabilities.
- b. In determining the carrying amount under the fair value model, the Company does not double-count assets or liabilities that are recognized separately. The Company derecognized related accrued rental income which was previously presented under “Receivables” which resulted in a decrease in deferred tax liabilities.
- c. Depreciation expense under cost model previously recorded as part of “direct operating expenses” was reversed.
- d. Deferred taxes are recognized based on the effective income tax rate of 0% and 18% as of December 31, 2020 and January 1, 2020, respectively.

The restatements have no significant impact in the statements of cash flows for the years ended December 31, 2020 and 2019.

Please refer to Note 2 – Summary of Significant Accounting Policies of the Company’s audited financial statements, attached to this Definitive Information Statement for the Company’s annual stockholders’ meeting.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

- (a) Approval of the Minutes of the 2021 annual and special meetings of stockholders held on April 23, 2021 covering the following matters:
  - i. Annual report of officers;
  - ii. Ratification of all resolutions adopted by the Board of Directors and the acts of Management beginning June 24, 2020 to April 23, 2021;
  - iii. Approval of the amendment of the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8);
  - iv. Approval of the increase of authorized capital stock of the Company from ₱11,740,000,000.00 to ₱29,500,000,000.00, and the corresponding amendment of the seventh article of the Articles of Incorporation of the Company;
  - v. Approval of issuance of common shares in exchange for properties;
  - vi. Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of Directors;
  - vii. Election of the members of the Board (including the Independent Directors, and the new director who will fill the directorship by reason of the increase in the number of directors\*);
  - viii. Election of the external auditor and fixing of its remuneration; and
  - ix. Approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc.

\* In accordance with Section 28 of the Revised Corporation Code wherein any directorship can be filled by reason of an increase in the number of directors at a regular or special meeting duly called for the purpose, or in the same meeting authorizing the increase of directors.

through the following link: <https://areit.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/45e48ac61a-1627463930/areit-mins-2021-asm-fin.pdf>

The minutes contain the following information:

1. A description of the voting and vote tabulation procedures used in the previous meeting;

#### Annual Stockholders' Meeting

During the previous Annual Stockholders' Meeting, stockholders of record were allowed to vote *in absentia* or by designating the Chairman of the meeting as their proxy. The Secretary certified that there was a quorum for the meeting with stockholders owning 806,720,176 shares or 78.65% of the total outstanding shares, present in person or by proxy. The mode of attendance of the stockholders deemed present and their respective percentages of the outstanding shares are set forth below:

Mode of Attendance	Number of Shares Present and Represented	% of Total Outstanding Shares
Appointment of the Chairman as proxy	803,307,831	78.321337%
Voting <i>in absentia</i>	4,181,845	0.407724%
Remote communication	7	0.000001%
Total	807,489,683	78.729061%

The votes cast as of close of business of April 21, 2021 were tabulated. Those votes are from stockholders owning 806,052,132 voting shares representing 99.92% of the total shares represented in the meeting, and 78.59% of the total outstanding shares.

The Secretary explained that the rules of conduct and the voting procedures are set forth in the Definitive Information Statement and in the Explanation of Agenda Items, which formed part of the Notice of the Annual Stockholders' Meeting.

The voting results for matters taken up during the Annual Stockholders' Meeting of the Company last April 23, 2021 is posted in the Company's website at <https://www.areit.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/b5c942f451-1619512587/areit-2021-asm-voting-results-april-26-2021.pdf>

#### Special Stockholders' Meeting

During the Special Stockholders' Meeting of the Company held last April 23, 2021, stockholders of record were allowed to vote *in absentia* or by designating the Chairman of the meeting as their proxy. The Secretary certified that there was a quorum for the meeting with stockholders owning 806,720,176 shares representing at least a majority of the total outstanding shares and the Secretary also noted that at least 248,370,645 shares held by the minority stockholders are represented in the meeting. The mode of attendance of the stockholders deemed present and their respective percentages of the outstanding shares are set forth below:

Mode of Attendance	Number of Shares Present and Represented	% of Total Outstanding Shares
Appointment of the Chairman as proxy	803,307,831	78.321337%
Voting <i>in absentia</i>	4,181,845	0.407724%
Remote communication	7	0.000001%
Total	807,489,683	78.729061%

The votes cast as of close of business of April 21, 2021 were tabulated. Those votes are from stockholders owning 806,052,132 voting shares representing 99.92% of the total shares represented in the meeting, and 78.59% of the total outstanding shares.

The Secretary explained that the rules of conduct and the voting procedures are set forth in the Definitive Information Statement and in the Explanation of Agenda Items, which formed part of the Notice of the Annual Stockholders' Meeting.

The voting results for matters taken up during the Special Stockholders' Meeting of the

Company last April 23, 2021 is posted in the Company's website at <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/77bd181ee3-1619512587/aret-2021-ssm-voting-results-april-26-2021.pdf>

2. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answered given;

#### Annual Stockholders' Meeting

Stockholders who registered under the Voting *in Absentia* and Shareholder (VIASH) System or who notified the Corporation by email to [corporate.secretary@aret.com.ph](mailto:corporate.secretary@aret.com.ph) by April 14, 2021 of their intention to participate in the meeting by remote communication were given the opportunity to send their questions or comments to the same email address. Questions or comments received before 1:30 p.m. of April 21, 2021 were read aloud and addressed during the Question and Answer period.

The record of questions asked and answers given is reflected in the minutes of the meeting accessible at <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/45e48ac61a-1627463930/aret-mins-2021-asm-fin.pdf>

#### Special Stockholders' Meeting

Stockholders who registered under the Voting *in Absentia* and Shareholder (VIASH) System or who notified the Corporation by email to [corporate.secretary@aret.com.ph](mailto:corporate.secretary@aret.com.ph) by April 14, 2021 of their intention to participate in the meeting by remote communication were given the opportunity to send their questions or comments to the same email address. Questions or comments received before 2:15 p.m. of April 21, 2021 were read aloud and addressed during the Question and Answer period.

The record of questions asked and answers given is reflected in the minutes of the meeting accessible at <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/bb7102c7a5-1627463957/aret-mins-2021-ssm-fin.pdf>

3. The matters discussed and resolutions reached;

The following matters were discussed and resolutions reached during the:

#### Annual Stockholders' Meeting

- a. Approval of the Minutes of the 2020 Annual Stockholders' Meeting

#### **Resolution No. S-01-2021**

**RESOLVED**, to approve the minutes of the Annual Stockholders' Meeting held on June 23, 2020.

- b. Annual Report

#### **Resolution No. S-02-2021**

**RESOLVED**, to note the Corporation's Annual Report, which consists of the Message from the Chairman and the President's Report, and the audio-visual presentation to the stockholders, and to approve the audited financial statements of the Corporation as of December 31, 2020, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.

- c. Ratification of all Acts and Resolutions of the Board of Directors and Officers

#### **Resolution No. S-03-2021**

**RESOLVED**, to ratify each and every act and resolution, from June 23, 2020 to April 23, 2021 (the "Period"), of the Board of Directors (the "Board"), the Executive Committee and other Board committees exercising powers delegated by the Board, and each and every act, during the Period, of the officers of the Corporation in

accordance with the resolutions of the Board, the Executive Committee and other Board committees exercising powers delegated by the Board and pursuant to the By-laws of the Corporation.

- d. Approval of the Amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8)

**Resolution No. S-04-2021**

**RESOLVED**, to approve the amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8), as approved by the Board of Directors on October 22, 2020. As amended, the Article shall henceforth read:

**SIXTH.** The number of directors of the Corporation shall be **eight (8)**. Three (3) or such number as may be required by the REIT Act shall be independent.

- e. Approval of the increase of authorized capital stock of the Corporation from Php11,740,000,000.00 to Php29,500,000,000.00, and the Amendment of the Seventh Article of the Corporation's Articles of Incorporation

**Resolution No. S-05-2021**

**RESOLVED**, to approve the increase in authorized capital stock of the Corporation from Eleven Billion Seven Hundred Forty Million Pesos (Php11,740,000,000.00), in lawful money of the Philippines, divided into One Billion One Hundred Seventy-Four Million (1,174,000,000) Common Shares with a par value of Ten Pesos (Php10.00) per share to Twenty Nine Billion Five Hundred Million Pesos (Php29,500,000,000.00), in lawful money of the Philippines, divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) Common Shares with a par value of Ten Pesos (Php10.00) per share, as approved by the Board of Directors on March 16, 2021, and for this purpose the amendment to the Seventh Article of the Articles of Incorporation. As amended, the Article shall henceforth read:

**SEVENTH.** The authorized capital stock of the Corporation is Twenty-Nine Billion Five Hundred Million Pesos (Php29,500,000,000.00), in lawful money of the Philippines, divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) Common Shares with a par value of Ten Pesos (Php10.00) per share.

- f. Approval of the issuance of common shares in exchange for properties

**Resolution No. S-06-2021**

**RESOLVED**, to approve the issuance of a total of 483,254,375 primary common shares to Ayala Land, Inc, and/or its subsidiaries Westview Commercial Ventures Corp., and Glensworth Development, Inc., in exchange for identified properties owned by Ayala Land, Inc. and its subsidiaries valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (Php15,464,140,000.00), under a property-for-share swap, as approved by the Board of Directors on March 16, 2021.

- g. Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of directors

**Resolution No. S-07-2021**

**RESOLVED**, to delegate unto the Board of Directors the power to amend, modify, repeal the Corporation's By-Laws or adopt new by-laws, provided, that any amendment shall be reported at the next succeeding stockholders' meeting, and provided further, that such amendments shall be effective only upon approval by the Securities and Exchange Commission, provided, finally, that the power hereby delegated may be revoked by a majority of the stockholders at a regular or special meeting called for the purpose, as approved by the Board of Directors on February 24, 2021.

h. Election of Directors

**Resolution No. S-08-2021**

**RESOLVED**, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

1. Jose Emmanuel H. Jalandoni
2. Bernard Vincent O. Dy
3. Augusto D. Bengzon
4. Carol T. Mills
5. Mariana Zobel de Ayala
6. Omar T. Cruz (*Independent Director*)
7. Enrico S. Cruz (*Independent Director*)
8. Simeon S. Cua (*Independent Director*)

**RESOLVED, FINALLY**, that the election of Mariana Zobel de Ayala shall be subject to the approval of the Securities and Exchange Commission of the increase in the number of directors from seven (7) to eight (8) under the Sixth Article of the Corporation's Articles of Incorporation.

i. Election of External Auditor and Fixing of its Remuneration

**Resolution No. S-09-2021**

**RESOLVED**, as endorsed by the Board of Directors, to approve the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the year 2021 for an audit fee of Six Hundred Eighty-Six Thousand Two Hundred Pesos (Php686,200.00), exclusive of value-added tax and out of pocket expenses.

Special Stockholders' Meeting

- j. Approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc.

**Resolution No. S-10-2021**

**RESOLVED**, to approve the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc., and its subsidiaries, Westview Commercial Ventures Corp., and Glensworth Development, Inc. as part of the requirements of the Philippine Stock Exchange for the listing of additional shares (Article V, Part A, Section 5 of the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange).

4. A record of the voting results for each agenda item; and

The following are the voting results for each agenda item for:

Annual Stockholders' Meeting

1. Approval of the Minutes of the 2020 Annual Stockholders' Meeting

	For	Against	Abstain
Number of Voted Shares	807,475,875	-	13,801
% of Shares of Stockholders Represented	99.99829%	-	0.00171%

2. Annual Report

	For	Against	Abstain
Number of Voted Shares	807,488,431	344	901
% of Shares of Stockholders Represented	99.99984%	0.00004%	0.00011%

3. Ratification of all Acts and Resolutions of the Board of Directors and Officers

	For	Against	Abstain
Number of Voted Shares	807,480,031	344	9,301
% of Shares of Stockholders Represented	99.99880%	0.00004%	0.00115%

4. Approval of the Amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8)

	For	Against	Abstain
Number of Voted Shares	807,479,831	1,344	8,501
% of Shares of Stockholders Represented	99.99878%	0.00017%	0.00105%

5. Approval of the increase of authorized capital stock of the Corporation from Php11,740,000,000.00 to Php29,500,000,000.00, and the Amendment of the Seventh Article of the Corporation's Articles of Incorporation

	For	Against	Abstain
Number of Voted Shares	795,642,319	11,835,056	12,301
% of Shares of Stockholders Represented	98.53282%	1.46566%	0.00152%

6. Approval of the issuance of common shares in exchange for properties

	For	Against	Abstain
Number of Voted Shares	795,654,519	11,835,056	101
% of Shares of Stockholders Represented	98.53433%	1.46566%	0.00001%

7. Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of directors

	For	Against	Abstain
Number of Voted Shares	786,015,988	21,473,587	101
% of Shares of Stockholders Represented	97.34068%	2.65930%	0.00001%

8. Election of Directors

Director	For	Against	Abstain
1. Jose Emmanuel H. Jalandoni	801,613,347	3,915,431	-
2. Bernard Vincent O. Dy	801,613,301	3,915,431	-
3. Carol T. Mills	801,620,863	3,915,431	-
4. Augusto D. Bengzon	801,613,323	3,915,431	-
5. Omar T. Cruz	805,534,823	-	-
6. Simeon S. Cua	805,508,823	-	-
7. Enrico S. Cruz	805,508,448	-	-
8. Mariana Zobel de Ayala	810,647,777	3,915,431	-

9. Election of External Auditor and Fixing of its Remuneration

	For	Against	Abstain
Number of Voted Shares	807,474,675	800	14,201
% of Shares of Stockholders Represented	99.99814%	0.00010%	0.00176%

#### Special Stockholders' Meeting

10. Approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc.

The approval for the resolution requires the majority vote representing the outstanding shares of the minority stockholders present and represented in the meeting, voting in favor of the resolution. The minority stockholders of the Corporation are all the stockholders of record minus the Sponsor, Ayala Land, Inc.,

and its subsidiaries, and its directors and officers.

	For	Against	Abstain
Number of Voted Shares	194,947,294	11,840,112	13,701
% of Shares of Stockholders Represented	79.70%	4.77%	0.01%

5. A list of the directors, officers and the percentage of outstanding and voting shares of stockholders who attended and participated in the meeting.

The following directors and officers were present during the Annual and Special Stockholders' Meetings of the Corporation last April 23, 2021:

Directors:

Jose Emmanuel H. Jalandoni	<i>Chairman of the Board Chairman, Executive Committee</i>
Carol T. Mills	<i>President and Chief Executive Officer Chairman, Sustainability Committee Member, Executive Committee</i>
Augusto D. Bengzon	<i>Treasurer Member, Audit Committee Member, Risk Oversight Committee</i>
Omar T. Cruz	<i>Lead Independent Director Chairman, Risk Oversight Committee Member, Audit Committee Member, Related Party Transactions Review Committee Member, Personnel and Compensation Committee Member, Corporate Governance and Nomination Committee</i>
Simeon S. Cua	<i>Independent Director Chairman, Related Party Transactions Review Committee Chairman, Personnel and Compensation Committee Chairman, Corporate Governance and Nomination Committee Member, Executive Committee</i>
Enrico S. Cruz	<i>Independent Director Chairman, Audit Committee Member, Risk Oversight Committee Member, Related Party Transactions Review Committee Member, Personnel and Compensation Committee Member, Corporate Governance and Nomination Committee</i>

Bernard Vincent O. Dy

Officers:

Elaine Marie F. Alzona	<i>Chief Finance Officer and Chief Compliance Officer</i>
Solomon M. Hermosura	<i>Corporate Secretary</i>
June Vee D. Monteclaro-Navarro	<i>Assistant Corporate Secretary</i>

The percentage of outstanding and voting shares of stockholders who attended and participated in the meeting are as follows:

Annual Stockholders' Meeting

Total Number of Shares Present	Total Number of Outstanding Shares	Percentage of Total
807,489,683	1,025,656,435	78.729061%

Special Stockholders' Meeting

Total Number of Shares Present	Total Number of Outstanding Shares	Percentage of Total
807,489,683	1,025,656,435	78.729061%

- (b) Approval of the annual report of the Management for the year ending December 31, 2021, including the 2021 audited financial statements.
- (c) Appraisals and performance reports for the board and the criteria and procedure for assessment

The Board undergoes a formal assessment process annually whereby each director completes an evaluation questionnaire that is intended to provide insights on the effectiveness of the Board, its committees, the Chairman, and the directors. The assessment criteria or metrics include board composition; board roles, functions and processes; information management; representation of shareholders; management of the Company's performance; senior executives' talent management and succession planning, dynamics and relationships; and corporate governance practices. The aggregated results are presented to the Board during the meeting immediately following the end of the assessment process. The performance assessment of the Board and the directors will be conducted by an external facilitator every three (3) years. As of date, the Company has yet to conduct a performance assessment by an external facilitator and the initial assessment is set for 2023. For 2021, the Board is in the process of completing its self-assessment.

- (d) A director compensation report prepared in accordance with the Revised Corporation Code and the rules prescribed by the SEC

The director compensation report of the Company is included in this Definitive Information Statement and will form part of the Company's SEC Form 17-A for 2021.

- (e) Director disclosures on self-dealings and related party transactions

None of the Company's directors have entered into self-dealing and related-party transactions with or involving the Company in 2021.

**Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

**Item 17. Amendment of Charter, By-laws or Other Documents**

There are no matters or actions to be taken up in the meeting with respect to amendment of the Company's Charter, Bylaws or other documents.

**Item 18. Other Proposed Action**

- (a) Ratification of the acts of the Board of Directors and officers

The acts of the Board of Directors and officers from April 24, 2021 until April 21, 2022, include –

- Election of officers, appointment of the various Board Committee members and Independent Advisors to the Board, and designation of lead independent director;

- Ratification and confirmation of the actions of the Board Committees;
  - Declaration of cash dividends;
  - Updating of Attorneys-in-Fact for various transactions;
  - Amendment of the By-Laws;
  - Approval of the Executive Committee Charter and amendments to the Board Charter;
  - Registration with the online submission tool of the Securities and Exchange Commission;
  - Renewal and establishment of short-term credit facilities;
  - 2022 budget;
  - Merger of the Board Risk Oversight Committee and Related Party Transactions Review Committee;
  - Registration with Anti-Money Laundering Council and appointment of Anti-Money Laundering Compliance Officer;
  - Adoption of the AREIT Money Laundering and Terrorist Financing Prevention Program;
  - Subscription by Ayala Land, Inc. to primary common shares in exchange for identified properties via a property-for-share swap; Schedule of the 2022 annual and special meetings of the stockholders and holding of a fully virtual annual stockholders' meeting and special stockholders' meeting;
  - Delegation to the Corporate Governance and Nomination Committee of the authority to approve the final list of nominees to the Board of Directors; and
  - Matters covered by disclosures to the SEC and PSE.
- (b) Approval of the issuance of up to 252,136,383 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc. valued at Eleven Billion Two Hundred Fifty-Seven Million Eight Hundred Eighty-Nine Thousand Five Hundred Thirty-Five and 91/100 Pesos (₱11,257,889,535.91), under a property-for-share swap;
- (c) Election of the members of the Board for the ensuing year, including the independent directors; and
- (d) Election of the external auditor and fixing of its remuneration.

#### Item 19. Voting Procedures

- (a) **Vote required:** The affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of all matters presented to the stockholders for decision. The election of directors is by plurality of votes.
- (b) **Method of Voting:** Straight and Cumulative Voting

In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one (1) vote. As explained in Item 20 below, stockholders will only be allowed to vote by appointing the Chairman of the meeting as proxy or electronically *in absentia*.

In the case of the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate the aforesaid shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

A stockholder may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>,<sup>21</sup> subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this DIS, and shall be received by the Corporate Secretary at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 8, 2022.

All votes will be counted and tabulated by the Proxy Validation Committee and the results will

<sup>21</sup> A stockholder may vote through <http://www.ayalagroupshareholders.com/> for both the annual and special stockholders' meetings of the Company to be held on April 21, 2022.

be validated by an independent third party.

#### Item 20. **Participation of Shareholders by Remote Communication**

To ensure the safety and welfare of our stockholders given the current circumstances, the Board of Directors of the Company, during its meeting on November 12, 2021, approved the holding of the meeting in a fully virtual format, Stockholders may attend the meeting only by remote communication, as set forth below, and by voting *in absentia*, as provided in Item 4(c) and Item 18 above, or voting through the Chairman of the meeting as proxy.

The live webcast of the meeting shall be accessible through the following online web address: <http://www.ayalagroupshareholders.com/> to shareholders who registered in the VIASH System. A Meeting livestreaming access button will be available on the Stockholder's dashboard in the VIASH System on the date set for the Meeting as indicated in the Company's Notice of Meeting. To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the shareholders shall inform the Company by email to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 8, 2022, of their participation in the meeting by remote communication.

Stockholders may email questions or comments prior to or during the meeting at the following email address: [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph). The detailed instructions for participation through remote communication are set forth in Annex A (II).

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 24<sup>th</sup> day of March 2022.

**AREIT, INC.**

  
**JUNE VEE D. MONTECLARO-NAVARRO**  
Assistant Corporate Secretary

## ANNEX “A”

### 2022 ANNUAL STOCKHOLDERS’ MEETING OF AREIT, INC. (THE “MEETING”)

#### REQUIREMENTS AND PROCEDURE FOR ELECTRONIC VOTING IN ABSENTIA AND PARTICIPATION BY REMOTE COMMUNICATION

Electronic voting *in absentia* and participation by remote communication shall be allowed only through complete registration and successful validation in the Voting *in Absentia* & Shareholder (VIASH) System.

#### **I. ELECTRONIC VOTING IN ABSENTIA**

1. Stockholders as of March 22, 2022 (“Stockholders”) have the option of electronic voting *in absentia* on the matters in the Agenda, after complete registration and successful validation in the VIASH System. Stockholders with e-mail addresses on record shall be sent an e-mail with a link to the VIASH System. To register in the VIASH System, Stockholders shall simply follow the instructions sent in the e-mail.
2. Stockholders who have registered in VIASH System for the 2021 annual stockholders meeting may continue using their credentials (username and password) to log-in and need not resubmit the requirements provided in Item 5 below.
3. Otherwise, Stockholders may access the link <http://www.ayalagroupshareholders.com/> to create an account and register in the VIASH System. Stockholders should complete the online registration form and submit for validation together with the requirements provided in Item 5 below. Registration to the VIASH System shall be valid for the Company’s annual and special stockholders’ meetings both to be held on April 21, 2022.
4. All registered accounts shall be subject to the validation process set forth in Item 5 below. The deadline for registration to vote *in absentia* is April 8, 2022. The VIASH System will be open for registration for both the annual and special stockholders’ meetings on **March 30, 2022**.
5. The following are needed for registration:
  - 5.1 For individual Stockholders –
    - 5.1.1 A recent photo of the Stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
    - 5.1.2 A scanned-copy of the Stockholder’s valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
    - 5.1.3 A valid and active e-mail address;
    - 5.1.4 A valid and active contact number;
  - 5.2 For Stockholders with joint accounts –

A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;
  - 5.3 For Stockholders under Broker accounts –

- 5.3.1 A broker's certification on the Stockholder's number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;
  - 5.3.2 A recent photo of the stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
  - 5.3.3 A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
  - 5.3.4 A valid and active e-mail address;
  - 5.3.5 A valid and active contact number;
- 5.4 For corporate Stockholders –
- 5.4.1 A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
  - 5.4.2 A recent photo of the Stockholder's representative, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
  - 5.4.3 A scanned copy of the valid government-issued ID of the Stockholder's representative showing photo and personal details, preferably with residential address (in JPG or PDF format). The file-size should be no larger than 5MB;
  - 5.4.4 A valid and active e-mail address of the Stockholder's representative;
  - 5.4.5 A valid and active contact number of the Stockholder's representative.

**Important Notes:**

- Stockholders of the Company need only to register one account in the VIASH System in order to participate in both the annual and special stockholders' meetings of the Company to be held both on April 21, 2022.
  - Stockholders who, as of record date, are also Stockholders of the other publicly listed corporations in the Ayala group only need to register one account in the VIASH System and may "Add another company" in their respective profiles, as applicable. The digital absentee ballot for each corporation shall be separately accessed from the Stockholder's Dashboard in the VIASH System and votes shall be cast per corporation
  - Considering the prevailing extraordinary circumstances in relation to COVID-19, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later time.
  - Incomplete or inconsistent information may result in an unsuccessful registration. As a result, Stockholders will not be allowed access to vote electronically *in absentia*, but may still vote through the Chairman of the Board of Directors or his alternates as proxy, by submitting a duly accomplished proxy form, on or before April 8, 2022.
6. The validation process in the VIASH System will be completed by the Company no later than three (3) business days from the date of the Stockholder's complete registration. The Stockholder's Dashboard in the VIASH System will indicate the status of registration.
- Once validated, the Stockholder will receive an e-mail confirmation on their successful registration. Registered Stockholders have until the end of the Meeting to cast their votes *in absentia*.
7. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot in the VIASH System and the registered Stockholder may vote as follows:
- 7.1 For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
  - 7.2 For the Election of Directors, the registered Stockholder may either: (1) vote for all nominees, (2) not vote for any of the nominees, or (3) vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

Once voting on the agenda items is finished, the registered Stockholder can proceed to submit the accomplished ballot by clicking the 'Submit' button.

The VIASH System will prompt the Stockholder to confirm the submission of the ballot. The votes cast *in absentia* will have equal effect as votes cast by proxy.

After the ballot has been submitted, Stockholders may no longer change their votes except by submitting a duly accomplished proxy form within the set deadline.

8. The Proxy Validation Committee will tabulate all votes cast *in absentia* together with the votes cast by proxy, and a firm selected for this purpose will validate the results.

## **II. PARTICIPATION BY REMOTE COMMUNICATION**

1. Stockholders as of March 22, 2022 ("Stockholders") are required to register in the VIASH System to participate by remote communication in the Annual and Special Stockholders' Meetings on April 21, 2022 by remote communication. A Meeting livestreaming access button will be available in the Stockholder's dashboard in the VIASH System on the Meeting date as indicated in the Corporation's Notice of the Meeting.
2. The procedure and requirements for registration in the VIASH System are found in the Electronic Voting *in Absentia* section in this Annex. The deadline for registration to participate by remote communication is on April 8, 2022.
3. In addition to their registration in the VIASH System, Stockholders are requested to notify the Company by e-mail to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 8, 2021 of their intention to participate in the Meetings by remote communication.
4. Only the Stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the Stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum at the Meeting.
5. Stockholders participating by remote communication may vote anytime until the end of the Meeting using the digital ballot in the VIASH System.
6. Stockholders may send their questions and/or remarks prior to or during the Meeting by e-mail to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph).
7. A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted by e-mail to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph).

For any clarifications, please contact our Office of the Corporate Secretary through [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph)

## ANNEX “B”

### DIRECTORS AND KEY OFFICERS (as of December 31, 2021)

The write-ups below include positions held as of December 31, 2021 and in the past five years, and personal data as of December 31, 2021 of directors and executive officers.

#### Board of Directors

Jose Emmanuel H. Jalandoni, Chairman of the Board  
Carol T. Mills, President and Chief Executive Officer  
Bernard Vincent O. Dy  
Augusto D. Bengzon  
Mariana Beatriz Zobel de Ayala  
Omar T. Cruz  
Enrico S. Cruz  
Jessie D. Cabaluna\*

*\*Ms. Cabaluna was elected on December 3, 2021 to serve the unexpired term of Mr. Cua.*

**Jose Emmanuel H. Jalandoni**, Filipino, 53, has served as the Chairman of the Board of AREIT, Inc. since February 5, 2020. He is a Senior Vice President and a member of the Management Committee, and the Group Head of commercial businesses including malls, offices, hotels, resorts of Ayala Land, Inc. He is Chairman of AyalaLand Logistics Holdings Corp., also a publicly listed subsidiary of ALI. His other significant positions are: Chairman, President and Chief Executive Officer of Northgate Hotel Ventures, Inc. and Southcrest Hotel Ventures, Inc. He is Chairman of the Board of ALI Commercial Center, Inc., ALI Makati Hotel and Residences, Inc., ALI Makati Hotel Property, Inc., ALI Triangle Hotel Ventures, Inc., ARCA South Hotel Ventures, Inc., AsiaTown Hotel Ventures, Inc., Ayala Hotels, Inc., AyalaLand Hotels and Resorts Corporation, AyalaLand Medical Facilities Leasing, Inc., AyalaLand Offices, Inc., Bacuit Bay Development Corporation, Bay Area Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Company, Inc., Central Bloc Hotel Ventures, Inc. Chirica Resorts Corporation, Circuit Makati Hotel Ventures, Inc., Direct Power Services, Inc., Ecoholdings Company Inc., Econorth Resort Ventures, Inc., Ecosouth Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., Integrated Eco-Resort, Inc., Lio Resort Ventures, Inc., Lio Tourism Estate Management Corporation, Makati North Hotel Ventures, North Eastern Commercial Corporation, North Liberty Resort Ventures, Inc., North Triangle Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., One Makati Residential Ventures, Inc., Pangulasian Island Resort Corporation, Paragua Eco-Resort Ventures, Inc., Regent Horizons Conservation Company, Inc., Sentera Hotel Ventures, Inc., Sicogon Island Tourism Estate Corporation, Sicogon Town Hotel, Inc., Estate Corporation, Ten Knots Development Corporation, Ten Knots Philippines, Inc., Whiteknight Holdings, Inc. and One Makati Residential Ventures, Inc. He is also Director of the following companies: Accendo Commercial Corporation, Alabang Commercial Corporation, ALI Capital Corporation, Anvaya Cove Golf and Sports Club, Inc., Ayagold Retailers, Inc., Ayala Property Management Corporation, Cagayan de Oro Gateway Corporation, Columbus Holdings, Inc., Fort Bonifacio Development Corporation, Lio Tourism Estate Association, Makati Cornerstone Leasing Corporation, Makati Development Corporation, Philippine FamilyMart CVS, Inc., Philippine Integrated Energy Solutions, Inc., SIAL CVS, Inc., SIAL Specialty Retailing, Inc., Station Square East Commercial Corporation. He joined ALI in 1996 and held various positions in the Company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University. He earned his Master’s Degree in Business Administration from Asian Institute of Management. He is a Chartered Financial Analyst.

**Carol T. Mills**, Filipino, 49, has served as the Company’s President since February 10, 2014 and President and Chief Operating Officer since April 4, 2019. She is a Vice President of Ayala Land, Inc. She is also the President of Ayala Land Offices, Inc. She is Chairman and President of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp as well as Director of ALI Capital Corp., DirectPower Services, Inc. and Central Block Developers Inc. She joined ALI in 1993 and prior to

her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

**Bernard Vincent O. Dy**, Filipino, 58, has served as a Director of AREIT, Inc. since April 4, 2019. He is the President and Chief Executive Officer of Ayala Land, Inc. and concurrently serves as a Senior Managing Director and member of the Ayala Group Management Committee of Ayala Corporation. He is also a Director AyalaLand Logistics Corporation and MCT Bhd of Malaysia. All are publicly listed companies. Concurrently, he is the Chairman of Alveo Land Corporation, Amaia Land Corporation, Avencosouth Corp., Aviana Development Corp., Ayagold Retailers, Inc., Ayala Property Management Corporation, Bellavita Land Corporation, BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Cagayan De Oro Gateway Corp., Makati Development Corporation, Portico Land Corporation, Station Square East Commercial Corporation, and Vesta Property Holdings, Inc.; Vice Chairman of Alvierra Country Club, Inc., Aurora Properties Incorporated, and Ayala Greenfield Development Corporation, and Director of AKL Properties, Inc., ALI Eton Property Development Corporation, Alveo-Federal Land Communities, Inc., Amicassa Process Solutions, Inc., AyalaLand Medical Facilities Leasing, Inc., Nuevocentro, Inc., Philippine Integrated Energy Solutions, Inc., Serendra, Inc., and Whiteknight Holdings, Inc. He is also the President and CEO of Berkshires Holdings, Inc., Bonifacio Land Corporation, Columbus Holdings, Inc., Emerging City Holdings, Inc., and Fort Bonifacio Development Corporation; President of Accendo Commercial Corporation, Alabang Commercial Corporation, Bonifacio Art Foundation, Inc., Ceci Realty Inc., and Hero Foundation Inc.; Member of the Board of Trustees of Ayala Foundation, Inc. and Ayala Group Club, Inc.; and Director of the Junior Golf Foundation of the Philippines since 2010 and Vice Chairman since 2017. He earned a degree of BBA in Accountancy from the University of Notre Dame in 1985, an MBA in 1997, and Masters in International Relations in 1989 from the University of Chicago. He became a member of the University of Chicago's Global Leaders Group in 2020.

**Augusto D. Bengzon**, Filipino, 59, has served as a Director and the Treasurer of AREIT, Inc. since April 4, 2019. He also currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, Chief Compliance Officer & Treasurer. He is a Director of ACE Enexor, Inc. and Treasurer of AyalaLand Logistics Holding Corp., publicly listed companies under the Ayala Group. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc., Anvaya Cove Golf and Sports Club, Inc. and Anvaya Cove Beach and Nature Club, Inc.; Director and Chief Finance Officer of Altaraza Development Corporation; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., AyalaLand-Tagle Properties, Inc., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWest Properties Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc., Serendra Inc. and Vesta Property Holdings Inc.; Director of Ayala Greenfield Development Corp., AG Counselors Corporation, Alvierra Country Club Inc., Alveo Land Corp., Ayala Land Premier Inc., Makati Development Corp., Nuevocentro Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Station Square East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc. and Hero Foundation, Inc.; Trustee of Philippine National Police Foundation, Inc. and Director of Financial Executives Institute of the Philippines. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

**Mariana Beatriz Zobel de Ayala**, Filipino, 33, has been a director of AREIT since October 2021 and currently Senior Vice President at Bank of the Philippine Islands for Consumer Bank overseeing Marketing, Consumer Platforms and Digital Activation & Sales. Ms. Zobel de Ayala also serves as a board director and/or advisory committee member for a number of Ayala Group companies, across Ayala Land, AC Health, Ayala Group's ACTIVE Fund and BPI's Asset Management and Trust Company. Before this role, Mariana was Deputy Head of Ayala Malls, a subsidiary of Ayala Land responsible for just under two million square meters in leasable retail space around the country. In addition to directly overseeing Leasing Strategy & Development across the malls, Mariana was responsible for the build-out of Ayala Malls Labs / Digital & Data - a new unit focused on commercializing synergistic opportunities leveraging technology

and data. Prior to this, she worked in Project Development for Alveo Land, and as a Corporate Strategy and Business Development Associate with Ayala Corporation, where she supported portfolio review across the conglomerate and business development interest in the healthcare sector. Mariana started her career at J.P. Morgan in New York City. She graduated from Harvard College in 2011 with a BA in Social Studies (Philosophy, Politics, and Economics), and an MBA from INSEAD in 2020.

**Omar T. Cruz**, Filipino, 66, is the Lead Independent Director of our Company. He also serves: as a Trustee of De La Salle University and Chairman of the Investment Committee of De La Salle Philippines; as a member of the Board of Directors of the Financial Executives Institute of the Philippines; as a trustee and Board Executive Committee Member for the University of Asia and the Pacific; as a trustee and Board Executive Committee Member for the Center for Research and Communication Foundation, Inc.; as a trustee for the Philippine National Police Foundation. Previously Mr. Cruz has served as: Treasurer of the Republic of the Philippines, Chairman of the International Treasury Committee of the International Association of Financial Executives Institution; as a senior advisor to Prudential Corporation Asia (HK); and as President and CEO of BPIPhilam Life Assurance Corp and Vice President and bank executive of Citibank, N.A. He has also previous served as a director for numerous entities, including Philamlife Company, BPI Philam Life Assurance Corporation, Ayala FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philamlife Asset Management, Inc., Tower Club and PHINMA Property Holdings Corporation. Mr. Cruz holds a Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

**Enrico S. Cruz**, Filipino, 63, has been an independent director of AREIT since February 5, 2020. He is also an Independent Director of Security Bank Corporation, The Keepers Holdings, Inc, DITO CME Holdings Inc., Maxicare Healthcare Corporation, CIBI Information Inc. and Vice Chairman of SB Capital Investment Corporation. He was the Chief Country Officer of Deutsche Bank Manila Branch from June 2003 to July 2019, responsible for the operation of Deutsche Bank entities in the Philippines. He was concurrently the bank's Head of Corporate Finance overseeing debt origination, equity capital markets, advisory and corporate/institutional sales activities. He joined Deutsche Bank in July 1995 where he established the Global Markets (GM) franchise in the Philippines. Prior to Deutsche Bank, Eric was Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A.. He joined CTBC in 1979 as an Executive Development Program Trainee and worked in various operations departments until he was named Head of Centralized Operations Department. He was then tasked in 1989 to head the Treasury Sales and Trading Group until his move to Deutsche Bank. He previously served as a Director of the Bankers Association of the Philippines (BAP) in 2003-2007, 2011-2015 and 2017-2019 and was a past president of the Money Market Association of the Philippines. Eric obtained his B.S. in Business Economics and MBA from the University of the Philippines. He was named by the UP College of Business as a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association in 2015.

**Jessie D. Cabaluna**, Filipino, 65, was elected independent director of AREIT, Inc. on December 3, 2021. She was the former Assurance Partner and Head of Market Circle – 1 Bacolod Branch of SyCip Gorres Velayo & Co. (SGV). She is presently an Independent Director for Cebu Holdings, Inc., AllHome Corp., and AllDay Marts, Inc. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She has accumulated over twenty years of experience as a partner in the accounting firm, SGV & Co., where she was Partner-in-Charge of the Bacolod Branch. Ms. Cabaluna holds a Bachelor of Science in Commerce (Major in Accounting) from the University of St. La Salle. She has also completed advanced management development programs conducted by the Asian Institute of Management and Harvard Business School.

#### **Nominees to the Board of Directors for election at the stockholders' meeting:**

All the incumbent directors.

#### **Management Committee Members / Key Executive Officers**

Carol T. Mills\*

President and Chief Executive Officer

Augusto D. Bengzon*/**	Treasurer
Elaine Marie F. Alzona**	Chief Finance Officer and Chief Compliance Officer
Ma. Teresa R. Famy**	Treasurer, Chief Finance Officer and Chief Compliance Officer
Solomon M. Hermosura	Corporate Secretary
June Vee D. Monteclaro-Navarro	Assistant Corporate Secretary
Michael Anthony L. Garcia	Investor Relations Officer
Amelia Ann T. Alipao	Data Protection Officer
Rowena P. Libunao***	Chief Audit Executive

*\*Member of the Board of Directors*

*\*\*Ma. Teresa R. Famy was appointed as Chief Finance Officer and Chief Compliance Officer effective July 1, 2021 vice Elaine Marie F. Alzona; and as Treasurer effective August 12, 2021 vice Augusto D. Bengzon*

*\*\*\*As of 24 February 2021*

**Elaine Marie F. Alzona**, Filipino, 42, served as the Chief Finance Officer and Chief Compliance Officer of AREIT, Inc. since 2019 until June 30, 2021. In addition to this position, Ms. Alzona is the Chief Finance Officer of Hotels for Ayalaland Hotels and Resorts Corp., a position she has filled since 2010. Ms. Alzona is likewise a director for the following companies: Ayalaland Hotels and Resorts Corp., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., Ecosouth Hotel Ventures, Inc., Sentera Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Co, Inc., Econorth Resort Ventures, Inc., Makati North Hotel Ventures, Inc., Circuit Makati Hotel Ventures, Inc., Central Bloc Hotel Ventures, Inc., Arca South Hotel Ventures, Inc., Bay Area Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., One Makati Residential Ventures, Inc., Asiatown Hotel Ventures, Inc., ALI Triangle Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., ALI Makati Hotel Property, Inc., ALI Makati Hotel and Residences, Inc., Makati Hotel and Residences Condominium Corporation. In the past, she has acted as director, Chief Finance Officer, and treasurer for both Ayala Hotels, Inc. and Sicogon Town Hotel, Inc. Ms. Alzona is qualified as a Certified Public Accountant. She holds a B.S. in Business Administration and Accountancy from the University of the Philippines (Diliman) as well as a Master in Business Administration from the Asian Institute of Management.

**Ma. Teresa R. Famy**, Filipino, 55, is the Treasurer, Chief Finance Officer, and Chief Compliance Officer of the Company. She was appointed as the Chief Finance Officer and Chief Compliance Officer effective July 1, 2021, and as Treasurer of the Company effective August 12, 2021. She has been with the ALI Group for 14 years. Prior to her appointment in the Company, Ms. Famy was the Chief Finance Officer of the AyalaMalls Group, Alveo Land Corp., Ayala Land Premier, and Avida Land Corp. Prior to joining the ALI Group, Ms. Famy assumed various roles in Finance in companies engaged in manufacturing and worked as an Auditor for SyCip Gorres Velayo and Co. She is a Certified Public Accountant and holds a Bachelor of Science in Commerce degree from Divine Word College, Legazpi City.

**Solomon M. Hermosura**, Filipino, 58, has served as the Corporate Secretary of AREIT, Inc. since April 4, 2019. He is a Managing Director of Ayala Corporation and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee. He is the Group Head of Corporate Governance, Chief Legal Officer, Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He also serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Integrated Micro-Electronics, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.) and Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

**June Vee D. Monteclaro-Navarro**, Filipino, 49, has served as the Assistant Corporate Secretary of AREIT, Inc. since April 4, 2019. She is a Vice President, Chief Legal Counsel and Assistant Corporate Secretary of ALI. She is also the Corporate Secretary AyalaLand Logistics Holdings Corp., the other publicly listed subsidiaries of ALI. She is also the Corporate Secretary of Alveo Land Corp., Avida Land Corp., AKL Properties, Inc., ALI Eton Property Development Corporation and Altaraza Development Corporation. She

served as Director (management position) and Corporate Secretary of Ayala Group Legal from 2012 to 2020. She was Legal Officer at Ayala Land, Inc. from 2007 to 2012 and a Senior Associate at SyCip Salazar Hernandez & Gatmaitan prior to that. She graduated from the University of St. La Salle in Bacolod with a Bachelor of Arts Major in Economics and a Bachelor of Science in Commerce Major in Data Processing in 1993. She earned a Bachelor of Laws degree from the University of the Philippines in 1997. She finished the Program on Negotiation at Harvard Law School in 2012 and the Leadership in Corporate Counsel Executive Education at Harvard Law School in 2016.

**Michael Anthony L. Garcia**, Filipino, 41, has served as the Investor Relations Officer of our Company since 2020. Mr. Garcia also presently acts as the Head of Investor Communications and Compliance for Ayala Land, a position he has held for the last five years. Mr. Garcia holds a Master's in Business Administration degree from the Asian Institute of Management.

**Amelia Ann T. Alipao**, Filipino, 58, has served as the Data Protection Officer of AREIT, Inc. since April 4, 2019. She is also currently Vice President and Chief Information Officer of Ayala Land, Inc. (ALI). She is also the Group Data Protection Officer for ALI Group of Companies and presently a member of the Data Privacy Council for Real Estate of the National Privacy Commission. She sits on the board of APRISA Business Process Solutions, Inc and HCX Technology Partners Inc. She is also Vice President for Ka-uSAP Inc, a non-profit organization for SAP User Group of the Philippines. She is currently a member of the ALI Corporate Bidding Committee. She previously occupied this role in 2009-2011 and acted as Chairperson. Before joining ALI, she took on dual roles in SAP Philippines as Account Manager, handling government accounts, and project manager for SAP Implementation. She served as Assistant Vice President in Coca-Cola Bottlers Philippines, Inc., where she held various IT systems implementation projects. She started her IT career as an IT Instructor in I/Act of SyCip Gorres Velayo & Co. She holds a Bachelor of Arts in Biology and a Bachelor of Science in Business Management from De La Salle University.

**Rowena P. Libunao**, Filipino, 43, is currently the audit lead for Corporate, Offices, Malls, Hotels and Resorts. She has been with ALI Internal Audit for almost 10 years. Prior to joining Ayala Land, she worked as Internal Auditor for various companies engaged in banking, petroleum and stock exchange. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and a member of the Institute of Internal Auditors Philippines (IIAP). She holds a Bachelor of Science degree in Accountancy from the Pamantasan ng Lungsod ng Maynila.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, Omar T. Cruz Filipino, of legal age and a resident of 408 Calo St. Ayala Alabang Village, Alabang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of AREIT, Inc. for its Annual Stockholders' Meeting on April 14, 2022 and have been its independent director since April 12, 2019.
2. I am affiliated with the following companies or organizations:

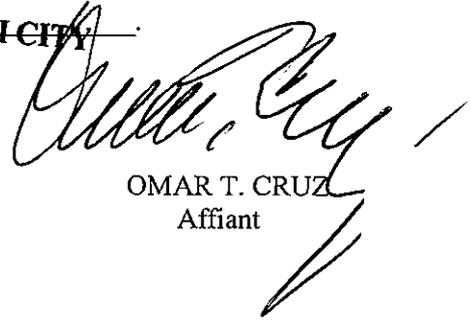
COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
CRUZ-FABZ FOOD CORP	President & Chairman	2019-present
ABACORE Capital Holdings, Inc.	Independent Director	2019-present
De La Salle Philippines	Investment Committee Chairman	2018-present
Financial Executives Institute of the Philippines (FINEX)	Board of Directors, Member	2016-present
University of Asia and the Pacific	Trustee and Executive Committee Member	2016-present
Philippine National Police Foundation Inc.	Trustee	2016-present
Center for Research and Communication Foundation Inc.	Trustee and Board Executive Committee Member	2016-present
Philippine Regional Investment Development Corp	Independent Director	2019-present
Abacus Global Technovisions Corp.	Independent Director	2019-present
RCBC Capital Corporation	Independent Director	2021-present
Toyota Philippines Financial Services, Inc.	Independent Director	2021-present

I am not affiliated with any of Government-Owned and Controlled Corporation.

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of AREIT, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the director/officer/substantial shareholder of AREIT, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
7. I shall inform the Corporate Secretary of AREIT, Inc. of any changes in the abovementioned information within five days from its occurrence.

*(Signature page to follow)*

Done, this \_\_\_\_\_ day of MAR 11 2022, at MAKATI CITY.

  
OMAR T. CRUZ  
Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of MAR 11 2022 at MAKATI CITY,  
affiant personally appeared before me and exhibited to me his Passport No. EC8154833 issued on 28 June  
2016 at DFA NCR South.

Doc. No. 299 ;  
Page No. 61 ;  
Book No. XLII ;  
Series of 2022.



  
**ROBERTO T. ONGSIAKO**  
Notary Public – Makati City  
Appt. No. M-149 until December 31, 2022  
Roll of Attorneys No. 37041  
Lifetime IBP No. 02163 – RSM Chapter  
PTR No. 885235MJ – 01/03/2022 - Makati City  
MCLE Compliance No. VII – 0000267 – 07/30/2019  
4th Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

Notarial DST pursuant to  
Section. 188 of the Tax Code  
affixed in Notary Public's copy

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **Enrico S. Cruz**, Filipino of legal age and a resident of 37 Radish St. Valle Verde 5, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **AREIT, Inc.** (the “**Corporation**”) for its Annual Stockholders’ Meeting on April 21, 2022 and have been its independent director since February 5, 2020.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

<b>COMPANY ORGANIZATION</b>	<b>POSITION/RELATIONSHIP</b>	<b>PERIOD OF SERVICE</b>
Security Bank Corporation	Independent Director	August 2019 to present
Maxicare Corporation	Independent Director	August 2019 to present
SB Capital Corporation	Vice Chairman/ Independent Director	May 2020 to present
CIBI Information Inc.	Independent Director	July 2020 to present
The Keepers Holdings Inc.	Independent Director	Nov 2020 to present
DITO CME Holdings Inc.	Independent Director	Dec 2021 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

<b>NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER</b>	<b>COMPANY</b>	<b>NATURE OF RELATIONSHIP</b>
N.A.		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this \_\_\_\_\_ day of MAR 11 2022, at MAKATI CITY.

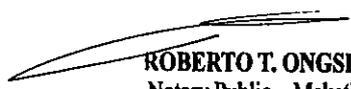
  
 \_\_\_\_\_  
 Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of MAR 11 2022 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Passport ID No. P7341447B issued at DFA NCR North on 04 August 2021.

Doc. No. 296  
Page No. 61  
Book No. XLII  
Series of 2022

Notarial DST pursuant to  
Section. 188 of the Tax Code  
affixed in Notary Public's copy



  
**ROBERTO T. ONGSIAKO**  
Notary Public – Makati City  
Appt. No. M-149 until December 31, 2022  
Roll of Attorneys No. 37041  
Lifetime IBP No. 02163 – RSM Chapter  
PTR No. 8852355MJ – 01/03/2022 - Makati City  
MCLE Compliance No. VII – 0000267 – 07/30/2019  
4th Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, JESSIE D. CABALUNA, Filipino, of legal age and a resident of 87 Molave Ave., Molave Park, Merville, Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of AREIT, Inc. for its Annual Stockholders' Meeting on April 14, 2022 and have been elected as Independent Director on December 3, 2021.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
AllHome Corp.	Independent Director	08 July 2019 to present
AllDay Marts, Inc.	Independent Director	05 August 2021 to present
Stetchworth	President	18 September 2019 to present
Anvaya Cove Beach and Nature Club, Inc.	Independent Director	30 July 2021 to present
SyCip Gorres Velayo & Co. (SGV)	Assurance Partner & Head of Market Circle-1 - Bacolod Branch	1978 to 2017

I am not affiliated with any government-owned or government-controlled corporation.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AREIT, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of AREIT, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
7. I shall inform the Corporate Secretary of AREIT, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this \_\_\_\_\_ day of MAR 15 2022 at MAKATI CITY.

  
 Jessie D. Cabaluna  
 Affiant

SUBSCRIBED AND SWORN to before me this            day of MAR 15 2022 at MAKATI CITY,  
affiant personally appeared before me and exhibited to me her Passport No. P3937505B issued at DFA Bacolod  
on 22 November 2019.

Doc. No. 357 ;  
Page No. 73 ;  
Book No. XLI ;  
Series of 2022 ;



Notarial DST pursuant to  
Section. 188 of the Tax Code  
affixed in Notary Public's copy

**ROBERTO T. ONGSIAKO**  
Notary Public – Makati City  
Appt. No. M-149 until December 31, 2022  
Roll of Attorneys No. 37041  
Lifetime IBP No. 02163 – RSM Chapter  
PTR No. 8852355MJ – 01/03/2022 - Makati City  
MCLE Compliance No. VII – 0000267 – 07/30/2019  
4th Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

March 21, 2022

**Securities and Exchange Commission**  
PICC Complex, Roxas Boulevard, Pasay City

Attention: Director Vicente Graciano P. Felizmenio, Jr.  
*Director, Markets & Securities Regulation Department*

Director Rachel Esther J. Gumtang-Remalante  
*Director, Corporate Governance and Finance Department*

Gentlemen:

I hereby certify that none of the incumbent members of our board of directors and nominees to our board, and officers is an employee of the Philippine government or in any of its agencies.

Mr. Augusto D. Bengzon, a Director of our Company, is a Trustee of the Philippine National Police (“PNP”) Foundation, Inc. There is no employer-employee relationship between the PNP and Mr. Bengzon and the latter does not receive any compensation from the PNP.

This certification is issued in compliance with the directive of the Commission pursuant to the Revised Corporation Code and the Securities Regulation Code.

Thank you.

Very truly yours,

  
June Vee D. Monteclaro-Navarro  
Assistant Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this MAR 21 2022 at Makati City, affiant exhibiting to me her Passport No. P2934191B issued on 02 September 2019 at the Department of Foreign Affairs Manila.

Doc. No. 422 ;  
Page No. 86 ;  
Book No. XV ;  
Series of 2022.

Notarial DST pursuant to  
Sec. 188 of the Tax Code  
affixed on Notary Public's copy



  
**MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ**  
Notary Public - Makati City  
Appt. No. M-154 until December 31, 2021  
Roll of Attorneys No. 60896  
Extended until June 30, 2022  
IBP No. 178376 - 02/16/2022 - Makati City  
PTR No. MKT8862852 - 01/11/2022 - Makati City  
MCLE Compliance No. VI -0009482 - 06/20/2018  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

## ANNEX “C”

### I. MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATION

*In 2021, the Company voluntary changed its accounting policy for its investment properties from cost model to fair value model of accounting which was applied retrospectively. Amounts presented in the audited statement of financial position as of December 31, 2021 and 2020 and audited statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019 were restated to reflect the impact of the change in accounting policy.*

#### **Review of FY 2021 operations vs FY 2020**

The Company’s net income before change in fair value and reversal of deferred tax increased by 56% from ₱1,452.71 million in 2020 and ₱2,268.76 million in 2021. The increase was mainly due to income from additional properties acquired in 2021. The Company’s net income after tax decreased by 61% from ₱6,264.81 million in 2020 to ₱2,433.27 million in 2021. The decrease was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

#### **Revenues**

Total revenues increased by 63% from ₱2,035.92 million in 2020 to ₱3,316.46 million in 2021. This was mainly driven by higher rental income and net dues.

*Rental Income* increased by 68% from ₱1,495.72 million in 2020 to ₱2,506.91 million in 2021. The increase was primarily attributable to the addition of The 30<sup>th</sup> and Laguna Technopark lots in January 2021 and addition of Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU, which were added to the Company’s portfolio in October 2021.

*Dues* increased by 59% from ₱389.38 million in 2020 to ₱621.01 million in 2021. The increase was attributable to the operations of new assets acquired in 2021.

*Interest income from finance lease*, increased by 25% from ₱150.81 million in 2020 and ₱188.55 million in 2021. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019 and long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which commenced in January 1, 2021 and October 1, 2021 for Vertis Mall.

#### **Net Fair Value Change in Investment Property**

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

In 2021, the Company recognized a net fair value change in investment property of ₱164.50 million and ₱1,424.65 million in 2020.

#### **Cost and Expenses**

*Direct operating expenses* increased by 84% from ₱444.07 million in 2020 to ₱815.87 million in 2021. The increase was primarily attributable to an increase in management fee of ₱169.44 million, an increase in taxes and licenses of ₱65.11 million, increase in land lease of ₱58.41 million, increase in repairs and maintenance of ₱45.21 million and increase in outside services of ₱23.25 million. These increases were related to the operations of additional properties acquired in 2021.

*General and administrative expenses* increased by 109%, from ₱49.47 million to ₱103.40 million mainly due to provision for probable losses amounting to ₱33.00 million in 2021 and increase in provision for doubtful accounts of ₱15.27 million.

#### **Other Income (charges)**

*Gain under finance lease* amounted to ₱49.76 million in 2021. In January 2021, the Company entered into a long-term building leases agreement with North Eastern Commercial Corp. for the lease of retail podiums in The 30th and Vertis developments. North Eastern Commercial Corp. (NECC) is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. The Company remains to be the legal owner of the portion of the building under finance lease.

*Interest Income* decreased by 91% from ₱78.67 million in 2020 to ₱7.21 million in 2021. The decrease was mainly due to the decrease in interest income from intercompany loans from ₱78.31 million in 2020 to ₱6.97 million in 2021.

*Interest expense* increased by 160% from ₱65.42 million in 2020 to ₱169.82 million in 2021. The increase was primarily attributable to the recognition of interest expense on loans amounting to ₱81.94 million in 2021, interest expense from finance lease amounting to ₱63.01 million and ₱51.49 million in 2021 and 2020, and accretion of security deposit amounting to ₱24.87 million in 2021 and ₱13.93 million in 2020.

*Other charges* amounted to ₱15.64 million in 2021 pertains to amortization of bond issue cost amounting to ₱0.18 million and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

*Other income* decreased by 97% from ₱3.66 million in 2020 to ₱0.10 million in 2021. This pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax*, the Company recognized a tax benefit in 2020 amounting to ₱3,280.88 and tax payable of ₱0.05 million in 2021. The 2020 tax benefit is a result of the restatement of 2020 balances following the change to fair value accounting. The Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2021 and 2020, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law.

### **Capital Expenditure**

AREIT acquired parcels of land in Laguna Technopark from Technopark Land, Inc. on January 5, 2021 for a total amount of ₱987.98 million VAT exclusive. The Company also acquired the 30th from Ayala Land, Inc. on January 15, 2021 for a total amount of ₱4,564.34 million VAT exclusive.

The Company has no material commitments for capital expenditures.

### **Summary of Real Estate Transactions for 2021**

On January 5, 2021, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc. to acquire 98,179 sq.m. of land for ₱1.1 billion (VAT-inclusive) located in Laguna Technopark is being leased by Integrated Micro-Electronics, Inc. for its manufacturing operations. The price was derived from a third-party valuation, using the market approach with a yield of 6.28% based on total acquisition cost.

On January 15, 2021, AREIT entered into a Deed of Sale with Ayala Land Inc. for the acquisition of The 30th for ₱5.1 billion (VAT-inclusive). The price was derived from a third-party valuation, using the income approach with an EBITDA yield of 6.1% based on total acquisition cost. The Property is located along Meralco Avenue in Pasig City, which has a building with a total GLA of 74,704 sq.m. composed of an office tower and a retail podium.

On October 7, 2021, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 08 June 2021.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 07 October 2021 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2021, instead of 01 November 2021.

## **Review of 2020 operations vs 2019**

The Company's net income before change in fair value and reversal of deferred tax increased by 0.1% from ₱1,451.99 million in 2019 and ₱1,452.71 million in 2020. Slight increase mainly due to gain from finance lease recognized in 2019 amounting to ₱397.14 million. The Company's net income after tax increased by 69% from ₱3,704.34 million in 2019 to ₱6,264.81 million in 2020. The increase was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

### **Revenues**

Total revenues increased by 22% from ₱1,671.96 million in 2019 to ₱2,035.92 million in 2020. This was mainly driven by higher rental income and interest income from finance lease receivables.

*Rental Income* increased by 13% from ₱1,323.92 million in 2019 to ₱1,495.72 million in 2020. The increase was primarily attributable to the addition of McKinley Exchange Corporate Center and Teleperformance Cebu in the Company's property portfolio in February and October 2020, respectively.

*Dues* increased by 29% from ₱301.20 million in 2019 to ₱389.38 million in 2020. The increase was due to lower utilities consumption and lower manpower deployment during quarantine period.

*Interest income from finance lease receivables* increased significantly from ₱46.84 million in 2019 to ₱150.81 million in 2020. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019.

### **Net Fair Value Change in Investment Property**

The Company recognized a net fair value change in investment property of ₱2,746.77 million and ₱1,424.65 million in 2019 and 2020, respectively.

### **Cost and Expenses**

*Direct operating expenses* increased by 25% from ₱354.32 million in 2019 to ₱444.07 million in 2020. The increase was primarily attributable to an increase in management fee of ₱62.31 million, an increase in taxes and licenses of ₱38.18 million, and an increase in land lease of ₱13.03 million. These increases were related to the operations of McKinley Exchange Corporate Center and Teleperformance Cebu.

*General and administrative expenses* increased by 249% from ₱14.18 million in 2019 to ₱49.47 million in 2020, mainly due to costs incurred for the Company's initial public offering (IPO).

### **Other Income (charges)**

*Interest Income* increased by 35% from ₱58.26 million in 2019 to ₱78.67 million in 2020. The increase was primarily attributable to the increase in interest income from intercompany loans from ₱57.95 million in 2019 to ₱78.31 million in 2020.

*Interest expense* significantly increased by 421% from ₱12.56 million in 2019 to ₱65.42 million in 2020. The increase was primarily attributable to the recognition of interest expense on lease liabilities amounting to ₱51.49 million in 2020.

*Other income* increased by 2568% from ₱0.14 million in 2019 to ₱3.66 million in 2020. This pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax* decreased by 516% from ₱788.87 million in 2019 to ₱3,280.88 million tax benefit in 2020. This decrease was mainly due to derecognition of deferred taxes.

### **Capital Expenditure**

AREIT acquired Teleperformance Cebu from ALO Prime Realty Corporation, a wholly-owned subsidiary of Ayala Land, Inc. on September 15, 2020 for a total amount of ₱1,450.00 million.

## **Review of 2019 operations vs 2018**

The Company's net income before change in fair value and reversal of deferred tax increased by 170% from ₱537.09 million in 2018 to ₱1,451.99 million in 2019. Growth was primarily driven by rental income from Ayala

North Exchange which AREIT acquired in October 2018 and from the one-time gain from finance lease recognized in 2019 amounting to ₱397.14 million. The Company's net income after tax increased by 590% from ₱537.09 million in 2018 to ₱3,704.34 million in 2019. The increase was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

### **Revenues**

Total revenues increased by 93% from ₱865.33 million in 2018 to ₱1,671.96 million in 2019. This was mainly driven by higher rental income and net dues.

*Rental Income* increased by 90% from ₱696.02 million in 2018 to ₱1,323.92 million in 2019. The increase was primarily attributable to the addition of Ayala North Exchange to in October 2018.

*Dues* increased by 29% from ₱169.31 million in 2018 to ₱301.20 million in 2019. The increase was mainly due to the adoption of PIC Q&A No. 2018-12 effected in the restatement of 2019.

*Interest income from finance lease receivables* amounted to ₱46.84 million in 2019. This is in connection with the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019.

### **Net Fair Value Change in Investment Property**

The Company recognized a net fair value change in investment property of ₱2,746.77 million in 2019, while 2018 was not restated.

### **Cost and Expenses**

*Direct operating expenses* increased by 96% from ₱181.01 million in 2018 to ₱354.32 million in 2019. The increase was mainly due to the adoption of PIC Q&A No. 2018-12 effected in the restatement of 2019

*General and administrative expenses* increased by 240%, from ₱4.17 million in 2019 to ₱14.18 million in 2020, mainly due to higher professional fees.

### **Other Income (charges)**

*Gain under finance lease* amounted to ₱397.14 million in 2019. In 2019, AREIT entered into a long-term building lease agreement with Makati North Hotel Ventures, Inc. for the lease of a portion of Ayala North Exchange.

*Interest income* increased by 239% from ₱17.17 million in 2018 to ₱58.26 million in 2019. The increase was primarily attributable to the increase in interest income from intercompany loans of ₱40.87 million.

*Interest expense* decreased from ₱16.81 million in 2018 to ₱12.56 million in 2019. Interest expense pertains to the accretion of security deposits from new tenants.

*Other income* decreased by 62% from ₱0.36 million in 2018 to ₱0.14 million in 2019. This pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax* increased by 449% from ₱143.77 million in 2018 to ₱788.87 million in 2019. The increase was mainly due to deferred tax on the net fair value change in investment property.

**Property Performance as of December 31, 2021**

Property	Location	Valuation Date	Valuation cost <sup>2</sup> (in Pesos, millions)	Total gross leasable area (GLA) (in sq.m)	Occupied GLA (in sq.m)	Occupancy rate	Remaining Land lease term (in years)
Solaris	Makati	June 2021	12,170	46,768	45,740	98%	27
Ayala North Exchange <sup>1</sup>	Makati	June 2021	13,656	95,300	94,003	99%	37
MECC	Makati	June 2021	1,940	10,688	10,593	99%	33
TP Cebu	Cebu	Jan 2022	2,599	18,093	18,093	100%	30
The 30th <sup>1</sup>	Pasig	June 2021	4,643	74,704	71,832	96%	35
Laguna Technopark Land	Laguna	June 2021	1,087	98,179	98,179	100%	n/a
Vertis <sup>1</sup>	Quezon City	June 2021	11,978	164,628	158,594	96%	36
BPI- Philam Makati	Makati	June 2021	236	1,072	1,072	100%	n/a
BPI- Philam Alabang	Muntinlupa	June 2021	63	551	551	100%	n/a
Bacolod Capitol	Negros Occidental	June 2021	893	11,313	11,313	100%	40
Ayala Northpoint	Negros Occidental	June 2021	297	4,654	4,654	100%	37
Evotech	Laguna	June 2021	1,999	23,058	22,757	99%	37

<sup>(1)</sup> Does not include portion of ANE Seda, The 30th Mall and Vertis Mall which are accounted for under finance lease

<sup>(2)</sup> Valuation based on Income approach except for Laguna Technopark land which was based on Market approach

Property	Rental Income* (in Pesos, millions)	Gross Revenues (in Pesos, millions)	DOE (in Pesos, millions)	Gross Revenue Contribution in 2021	Cost Contribution in 2021
Solaris	601	809	170	24.4%	20.9%
Ayala North Exchange	911	1,042	332	31.4%	40.6%
MECC	113	142	21	4.3%	2.5%
TP Cebu	167	209	31	6.3%	3.8%
The 30th	459	571	148	17.2%	18.1%
Laguna Technopark Land	74	74	4	2.2%	0.5%
Vertis	294	361	87	10.9%	10.6%
BPI- Philam Makati	4	5	1	0.1%	0.1%
BPI- Philam Alabang	1	2	0	0.1%	0.1%
Bacolod Capitol	17	22	6	0.7%	0.7%
Ayala Northpoint	7	8	3	0.3%	0.4%
Evotech	47	71	14	2.1%	1.7%

## **Financial Condition**

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

As of December 31, 2021, the Company total borrowings registered at ₱3.85 billion which translated to a debt-to-equity ratio of 0.08:1.

Return on equity was at 5% as of December 31, 2021.

<b>Key Financial Ratios</b>	<b>2021</b>	<b>2020</b>
Current Ratio <sup>(1)</sup>	0.67	3.55
Debt to Equity <sup>(2)</sup>	0.08	-
Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	21%
Return on Equity <sup>(4)</sup>	5%	19%
Asset to Equity Ratio <sup>(5)</sup>	1.16	1.07

<sup>(1)</sup> Current assets/current liabilities

<sup>(2)</sup> Total debt/Average Stockholder's equity

<sup>(3)</sup> Total Net Income/Total Average Assets

<sup>(4)</sup> Total Net Income/Average Stockholder's equity

<sup>(5)</sup> Total asset/Total Stockholder's equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and bank loans
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no significant element of income arising from continuing operations.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

## **Year ended December 31, 2021 compared to year ended December 31, 2020 (Restated)**

### **Assets**

*Cash* increased by 56% primarily due to additional net cash flow from operations of the newly acquired properties in 2021.

*Receivables- current* decreased by 44% mainly due to decreased in due from related parties.

*Other current assets* decreased by 34% due to lower input vat classified as current.

*Receivable- noncurrent* increased by 40% due to additional finance lease receivable from leases of NECC with the Company.

*Investment properties* went up by 72% mainly due to the acquisition of the 30<sup>th</sup> development, parcels of land in

Laguna Technopark, Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU.

*Property and equipment* went up by 2470% due to the acquisition of new office equipment.

*Other noncurrent assets* increased by 65% due to higher input VAT brought by acquisition new assets.

## **Liabilities**

*Short-term loans*, the Company obtained short-term loans from various local banks during the period. The outstanding short-term loans amounting to ₱890 million as of December 31, 2021, pertains to unsecured and interest bearing 30-day loans with average interest rate of 2.11%.

*Current portion of deposits and other liabilities* increased by 468%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

*Current portion of lease liability* increased by 25%. The total cash outflow related to leases amounted to ₱37.18 million composed of principal payment and interest on lease liabilities.

*Construction bonds*, amounted to ₱58.58 million as of December 31, 2021. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Long-term debt*, the Company issued a total of ₱3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. Transaction costs capitalized amounted to ₱42.70 million in 2021. Amortization amounted to ₱0.18 million in 2021 and included under "Other charges".

*Noncurrent portion of deposits and other liabilities*, increased by 79%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

*Noncurrent portion of lease liability*, increased by 33% due to additional lease liability for the lease agreements entered into by the Company related to land leases of One and Two Evotech and Bacolod Capitol. The rent is payable at a fixed monthly rate, subject to annual escalation rate.

## **Equity**

*Total equity* of ₱48,887.59 million as of December 31, 2021, 49% higher than December 31, 2020 at ₱32,807.75 million, due to increase in paid-up capital from ₱10,929.86 million in 2020 to ₱15,762.41 million in 2021, increase in additional paid-in capital from ₱785.68 million in 2020 to ₱11,333.07 million in 2021 and increase in retained earnings from net income contribution of ₱2,433.27 million for the period, reduced by dividend payments amounting to ₱1,733.36 million.

## **Year ended December 31, 2020 (Restated) compared to year ended December 31, 2019 (Restated)**

### **Assets**

*Cash* decreased by 52% primarily due to cash outflow from investing activities (intercompany loans and additional investment properties).

*Receivables- current* increased by 21% mainly due to increase in due from related parties.

*Other current assets* increased by 84% due to higher input VAT brought by acquisition new assets.

*Receivable- noncurrent* increased by 40% due to additional finance lease receivable from leases of NECC with the Company.

*Investment properties* went up by 15% mainly due to the acquisition of Teleperformance Cebu building and right-of-use asset for the lease of McKinley Exchange Corporate Center.

*Property and equipment* decreased by 40% due to the yearly depreciation.

*Other noncurrent assets* increased by 8% due to higher input VAT brought by acquisition new assets.

## **Liabilities**

*Accounts and other payables* increased by 87% due to increase in due to related parties, primarily for fund and property management fees.

*Current portion of deposits and other liabilities* decreased by 22% due to application of advance rent to tenant's current charges.

*Current portion of lease liability*, recognized in 2020 for the building lease for McKinley Exchange Corporate Center.

*Construction bonds*, decreased due to refund to tenants. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Noncurrent portion of deposits and other liabilities*, increased by 20%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

*Noncurrent portion of lease liability*, recognized in 2020 for the building lease for McKinley Exchange Corporate Center.

## **Equity**

*Total equity* of ₱32,807.75 million as of December 31, 2020, 14% higher than December 31, 2019 at ₱26,232.47 million, due to increase in paid-up capital from ₱10,451.22 million in 2019 to ₱10,929.86 million in 2020, recognition of additional paid-in capital amounting to ₱785.68 million in 2020 and increase in retained earnings from net income for the period and reduced by dividend payments.

## **Year ended December 31, 2019 (Restated) compared to year ended December 31, 2018 (Audited)**

### **Assets**

*Cash* increased by 368% primarily due to higher net cash outflow from operating activities.

*Other current assets* decreased by 23% due to amortization of prepaid expenses.

*Receivable- noncurrent* increased by 958% increased significantly due to the recognition of finance lease receivable for the lease of a portion of Ayala North Exchange Makati North Hotel Ventures, Inc.

*Investment properties* increased by 210% mainly due to change in accounting policy on investment properties from cost model to fair value model which required restatement, 2019 was based on restated balances.

*Property and equipment* decreased by 61% due to the yearly depreciation.

### **Liabilities**

*Accounts and other payables* decreased by 20% due to lower taxes payable.

*Current portion of deposits and other liabilities* increased by 446% due to additional security deposit and advance rent collected from Ayala North Exchange tenants.

*Income tax payable* increased by 22% due to higher provision for income tax.

*Construction bonds*, increased by 306% due to bonds from new tenants in Ayala North Exchange. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Deferred tax liabilities*, significantly increased in 2019 due to deferred tax recognized related to net fair value change in investment property.

### **Equity**

*Total equity* of ₱26,232.47 million as of December 31, 2019, 150% higher than December 31, 2018 at ₱10,500.62 million, mainly due to change in accounting policy on investment properties from cost model to fair value model which required restatement, 2019 was based on restated balances.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **For Year Ended December 31, 2021 versus For Year Ended December 31, 2020**

The Company ended a net increase in cash of ₱33.03 million for year ended December 31, 2021, mainly from cash generated from operations contributed by additional properties.

*Net cash flow from operating activities* amounted to ₱2,145.01 million and ₱1,527.34 million for the year ended December 31, 2021 and 2020, respectively. The increase mainly due to higher collections from operations and related security deposits and advance rents of the newly-acquired properties.

*Investing activities* used ₱4,137.57 million and ₱1,827.11 million for the year ended December 31, 2021 and 2020, respectively. Increase was mainly due to acquisition of The30th development and Laguna Technopark lots.

*Financing activities* provided ₱2,025.59 million and ₱236.56 million for the year ended December 31, 2021 and 2020. Mainly from the proceeds from short-term and long-term loans.

*Net increase in cash* as of December 31, 2021 resulted to ₱33.03 million which is ₱96.23 million higher than ₱63.20 million net decrease in cash as of December 31, 2020.

## **Risks**

AREIT, Inc. is highly dependent on the performance of the Philippine property market since all its Properties are located in the Philippines. Thus, the Company is directly affected by the risks that affect the Philippine property market as a whole.

Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP's tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of AREIT's Properties and a decrease in our rental rates. Additionally, the Properties are currently all located in Metro Manila and Luzon, which subjects AREIT to the risk of a decline in land or real estate values.

There can be no assurance that the Philippine property market will continue to do well. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of, or slowdown in, the national and local property markets may still adversely affect the demand and prices for real estate. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may have an adverse effect on the outlook on the Philippine property market and lead to an adverse change in the Philippines' macroeconomic situation generally, which could materially and adversely affect our results of operations. We cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease.

Our risk is mitigated by our focus on Grade A commercial buildings located in prime locations. Our Properties are mostly situated in the Makati CBD which is the economic center of the country and boasts the highest rental rates in Metro Manila, or in other key cities in the country such as Cebu City. As such it is less susceptible to market fluctuations. We also believe that the recent positive growth in the Philippine economy will continue. In any event, we also take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates
- Changes in the value of the Peso versus other currencies
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country's liquidity and credit exposures

To mitigate the above-mentioned risks, AREIT shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

**Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of SEC Form 17-A, free of charge. Any written request for a copy of SEC Form 17- A shall be addressed to the following:**

**AREIT, Inc.  
28/F Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City 1226**

**Attention: Ms. Ma. Teresa R. Famy  
Treasurer, Chief Finance Officer and Chief Compliance Officer**

## II. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

A) Principal Market where the Registrant's Common equity is traded.

### Philippine Stock Exchange Prices (in PhP/share)

	<u>High</u> <u>2021</u>	<u>Low</u> <u>2021</u>	<u>Close</u> <u>2021</u>
First Quarter	35.00	28.90	34.00
Second Quarter	37.00	32.40	36.40
Third Quarter	39.70	35.75	39.70
Fourth Quarter	50.00	38.90	48.60

The market capitalization of AREIT, Inc as of June 30, 2021, based on the closing price of P36.40/share, was approximately P37.33 billion.

The price information as of the close of the latest practicable trading date March 9, 2022 is P48.70 per share.

B) Holders

The Company has 18 registered stockholders as of February 28, 2022.

	<b>Stockholder Name</b>	<b>No. of Common Shares</b>	<b>Percentage (of common shares)</b>
1.	Ayala Land, Inc.	801,641,623	53.1271%
2.	PCD Nominee Corporation (Filipino)	453,965,623	30.0856%
3.	Ayalaland Offices, Inc.	96,292,435	6.3815%
4.	Glensworth Development, Inc.	62,146,531	4.118c
5.	PCD Nominee Corporation (Non-Filipino)	57,376,177	3.8024%
6.	Westview Commercial Ventures Corp.	37,443,313	2.4814%
8.	Maria Victoria Romero San Pascual	24,000	0.0015%
9.	Sylvette Young Tankiang	13,100	0.0008%
10.	Alberto B. Guevara Jr. or Alberto F. Guevara	8,000	0.0005%
11.	Carol T. Mills	1	0.0000%
12.	Jose Emmanuel H. Jalandoni	1	0.0000%
13.	Jessie D. Cabaluna	1	0.0000%
14.	Enrico S. Cruz	1	0.0000%
15.	Mariana Zobel de Ayala	1	0.0000%
16.	Bernard Vincent O. Dy	1	0.0000%
17.	Omar T. Cruz	1	0.0000%
18.	Augusto D. Bengzon	1	0.0000%

A list of the company's top 100 stockholders as of December 31, 2021 can be found through this link:

[https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=98032e902c4d38fc3470cea4b051ca8f](https://edge.pse.com.ph/openDiscViewer.do?edge_no=98032e902c4d38fc3470cea4b051ca8f)

C) Dividends

2021 CASH DIVIDEND (Per Common Share)		
PESO AMOUNT (in millions)	RECORD DATE	PAYMENT DATE
400.01	March 15, 2021	March 25, 2021
430.78	June 11, 2021	June 25, 2021
451.29	August 26, 2021	September 10, 2021
451.29	October 06, 2021	October 22, 2021
709.19	March 11, 2022	March 25, 2022

### Dividend policy

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders are entitled to receive at least 90% of annual Distributable Income for the current year. For 2021, the Company declared total dividends amounting to ₱2,042.54 million representing 92% of the Distributable Income for the year 2021.

	2021
Net income	₱2,433,267,040
Unrealized gains:	
Unrealized gain on fair value change in investment properties	(164,502,279)
Gain on finance lease	(49,763,675)
<b>Distributable Income</b>	<b>₱2,219,001,086</b>

For 2021, dividends declared were as follows:

Payment Date	Aggregate Amount Paid
June 25, 2021	430,775,702.70
September 10, 2021	451,288,831.40
October 22, 2021	451,288,831.40
March 25, 2022	709,188,080.70
<b>Total Amount of Dividends Paid</b>	<b>2,042,541,446.20</b>

**% of Dividends to Distributable Income** **92%**

*\* As per Section 10 of Revenue Regulation No. 13-2011, as amended, dividends distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth (5<sup>th</sup>) month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.*

Dividends were declared in accordance with the provisions of Section 42 of the Revised Corporation Code, specifically that dividends for prior years were taken from the unrestricted retained earnings of the Company.

The Company intends to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Revised Corporation Code, among others, the terms and conditions of our outstanding loan facilities, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, instances when there is a need for special reserves for probable contingencies.

The failure to distribute at least 90% of the annual Distributable Income will subject the Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the Company from the PSE.

Over the last three years, prior to its listing as a REIT company, the Company has distributed at least 85% of the prior year's net income:

	Dividends	Prior Year Net Income	% of Dividends
2017	362,500,000	425,775,536	85%
2018	384,000,000	446,780,761	86%

2019	961,297,669	537,091,374	179%
2020	1,353,866,494.20	1,223,891,240*	111%

*\*2020 Distributable income*

D) Recent Sale of Securities

The Company has not sold or issued any exempt securities to the public.

E) Corporate Governance

- i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer. The first Integrated Annual Corporate Governance (I-ACGR) of AREIT will be submitted to the SEC on or before May 30, 2021.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

## ANNEX “D”

### NATURE AND SCOPE OF BUSINESS

AREIT, Inc. is a real estate company established in the Philippines (“AREIT”). Previously known as One Dela Rosa Property Development, Inc., the Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, the Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. With its initial public offering in August 13, 2020, AREIT became the first Real Estate Investment Trust (REIT) in the country.

AREIT, Inc. is a REIT formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. Primarily, AREIT will be the commercial REIT platform for Ayala Land. As a commercial REIT, AREIT will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, AREIT may also explore other types of real estate properties available in the market. AREIT offers Shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Ayala Land, experienced management with incentive to grow our Company’s Gross Revenue and Net Operating Income, and distribution of at least 90% of our Company’s Distributable Income.

The Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria.

As of January 31, 2022, the Company's recurring income portfolio consists of 549 thousand square meters of gross leasable space among various commercial buildings in Metro Manila, Bacolod City, Talisay City, and Sta. Rosa, Laguna and four parcels of leased industrial land that meets AREIT’s investment criteria. The land on which the commercial buildings are built do not form part of the Company's asset portfolio and is not owned by the Company.

- **Solaris One**, a 24-storey, Grade A, PEZA-accredited commercial building previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sqm. and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines.
- **Ayala North Exchange**, a Grade A, mixed-use development, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The GLA of Ayala North Exchange is 95,300.35 sqm.. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.
- **McKinley Exchange**, a 5-storey Grade A, PEZA-accredited mixed-use development, which began operations in 2015, with GLA of 10,687.50 sq. m., 9,633.32 sqm. of which is designated for commercial office leasing, , located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, AREIT entered into a Contract of Lease with the Sponsor for the lease of the office and retail building.
- **Teleperformance Cebu**, a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 18,092.66 sqm located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- **The 30<sup>th</sup> Commercial Development**, located along Meralco Avenue in Pasig City, is a commercial building with a total GLA of 74,704 sqm composed of a 19-storey office tower with a GLA of 47,871 sqm and a 4-storey retail podium with a GLA of 26,833 sqm.

**Laguna Technopark Industrial Lots**, totaling 98,179 sqm, AREIT owns four parcels of industrial land located in Binan, Laguna, currently occupied by Integrated Micro-Electronics Inc. (IMI), under a long-term lease for its global manufacturing and technology solutions.

- **Vertis North Commercial Development**, a mixed-use development located in North Avenue, North Triangle, Quezon City, which consists of three (3) office towers situated on top a four (4)-storey retail podium known as Vertis North Commercial Development. The three (3) office towers consist of 19, 20, and 20-storeys, respectively. All office towers are Philippine Economic Zone Authority (“PEZA”)-accredited business process outsourcing offices designed for 24/7 operations, and are Leadership in Energy and Environmental Design (“LEED”)-certified. There are four (4) levels of basement parking. The retail podium was completed in 2017, while the office towers 1, 2, and 3 were completed in 2018, 2018, and 2019, respectively. The GLA of the retail podium is 39,305.76 square meters (sq. m.), while the office towers are composed of 125,507.39 sq. m. of GLA. The land on which Vertis North Corporate Center stands is being leased from Ayala Land, Inc.
- **One Evotech**, a four (4)-storey PEZA-accredited, LEED Silver Certified, campus type, BPO office designed for 24/7 operations, with a gross leasable area of 12,049 sq. m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT with a remaining term of 37 years.
- **Two Evotech**, a 5-storey PEZA-accredited, BPO office designed for 24/7 operations, with with a gross leasable area of 11,675 sq.m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT for a remaining term of 37 years.
- **Bacolod Capitol Corporate Center**, a seven (7)-storey PEZA-accredited BPO building designed for 24/7 operations, with a gross leasable area of 11,313 sq. m. The land on which Bacolod Capitol Corporate Center stands is owned by the Province of Negros Occidental, and is leased by AREIT from the Province of Negros Occidental with a remaining term of 40 years.
- **Ayala Northpoint Technohub**, a two (2)-storey PEZA-accredited BPO office facility designed for 24/7 operations with a gross leasable area of 4,653 sq.m., The site is located at The District North Point, Barangay Zone 15, Talisay City, Negros Occidental. and is under a land lease agreement with ALI with a remaining term of 37 years.
- **BPI-Philam Life Makati**, composed of three (3) office condominium units with a gross leasable area of 1,072 sq.m. located at the 19th floor, Ayala Life FGU Center, 6811 Ayala Avenue, Makati City. The land on which the building stands is owned by the Ayala Life FGU Center Condominium Corporation.
- **BPI-Philam Life Alabang**, consists of six (6) office condominium units with total leasable area of 551 sq. m. located at the 7th floor of BPI-Philam Life Alabang, Alabang-Zapote Road corner Acacia Avenue, Madrigal Business Park, Muntinlupa City. The land on which the building stands is owned by the Ayala Life-FGU Center Alabang Condominium Corporation.



## Isla Lipana & Co.

9 March 2022  
The Board of Directors  
AREIT Fund Managers, Inc.  
28/F Tower One & Exchange Plaza,  
Ayala Triangle, Ayala Avenue  
Makati City, 1226, Philippines

Gentlemen:

You, the Board of Directors of AREIT Fund Managers, Inc. (“You”, the “Company”, “AFMI” or the “Management”), as the Fund Manager of AREIT, Inc. (“AREIT”), have requested our opinion (“Opinion”) as to the fairness of the values of the six (6) commercial properties (the “Properties”) owned by Ayala Land, Inc. (“ALI” or the “Parent”), and the shares of AREIT (the “Shares”) (collectively, the “Subject Entities”), to comply with the requirements of the Philippine Stock Exchange and/or Securities and Exchange Commission in relation to the planned infusion of the Properties to AREIT, Inc. (the “Transaction”).

The six commercial properties are eBloc Towers 1 to 4 in Cebu IT Park, Ayala Center Cebu Tower, and Tech Tower.

The Valuation Date is 31 December 2021.

In connection with our Opinion, we have:

- i. Considered certain financial, operational, and other information relating to AREIT and the Properties that were publicly available or have been furnished to us by Management, including historical performance and financial forecasts of AREIT and the Properties;
- ii. Discussed with members of the Management to understand the businesses, operations, historical financial results, strategic plans, and financial forecasts of AREIT and each of the Properties;
- iii. Considered certain financial data of AREIT and the Properties and compared those with data for other entities and/or properties with similar operations, as available publicly;
- iv. Performed discounted cash flow (DCF), comparable companies, and precedent transactions approaches in estimating the value of the Shares;
- v. Performed discounted cash flow (DCF) and direct capitalization approaches in estimating the value of the Properties; and

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)*



vi. Considered such other information, analyses and investigations and financial, economic and market data as we deemed relevant and appropriate for purposes of this Opinion.

The Opinion expressed below is subject to the following qualifications and limitations:

i. In arriving at our Opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information that were publicly available or furnished to us by the Management on AREIT and the Properties. With respect to the financial forecasts used by us, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the Management as to AREIT's and the Properties' future financial performance, and incorporating the potential impact of COVID-19 on their operations based on Management's assessment, strategy, and recovery expectations and plans.

ii. In arriving at our Opinion, we have adopted the relevant provisions of the latest edition of the International Valuation Standards (IVS) in the valuation report dated 9 March 2022 for AREIT and the Properties. In particular, we have used the following relevant provisions in performing the valuation analyses and procedures:

- (a) IVS 101 scope of work,
- (b) IVS 103 reporting,
- (c) IVS 104 bases of value,
- (d) IVS 105 valuation approaches and methods,
- (e) IVS 200 business and business interests,
- (f) IVS 400 real property interests<sup>1</sup>

iii. Our services with respect to the Transaction do not constitute, nor should they be construed to constitute in any way, a review or audit of or any other procedures with respect to any financial information nor should such services be relied upon by any person to disclose weaknesses in internal controls or financial statement errors or irregularities.

iv. Our Opinion does not address, and should not be construed to address, either the underlying business decision to effect the Transaction or whether the property valuation used in the Transaction represents the best price. We express no view as to the national or local tax consequences of the Transaction.

v. Our estimates of equity and/or property values reflect the cash flows estimated to be derived from leasing and other income of AREIT and the Properties.

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<sup>1</sup> Relevant provisions include basis of value and guidelines on valuation approaches



vi. Our Opinion is based on the assumption that AREIT and the Properties will operate as going concern income-generating entity/assets.

vii. We have used third party industry reports and Management information in coming up with our assumptions and sensitivities. If these assumptions including revenues, lease rates, occupancy rates, escalation rates, operating expenses, capital expenditures, and other key estimates prove to be incorrect, the results of our valuation could be materially and adversely affected.

viii. Our Opinion is based on business, economic, market and other conditions as they exist as of the date hereof or as of the date of the information provided to us. We have not considered events subsequent to the date of our Opinion. Based on discussions with Management, we are not aware of any events subsequent to the Valuation Date and up to the date hereof that may materially impact the forecasted financial performance and other key inputs used in the valuation, or any circumstances that may materially impact the conclusions drawn in the valuation report.

ix. Our Opinion should not be construed as providing Management or any third party with investment advice. Neither are we expressing an opinion on the continued viability of the operations of the Subject Entities and the Properties.

x. We have not considered the impact of any force majeure events which may slow down or adversely affect the operations of AREIT and the Properties. To the extent appropriate and given the information made available to us, we have incorporated the potential impact of COVID-19 in the valuation where we considered the current company, property and market conditions in analyzing the reasonableness of the assumptions used. However, given uncertainties brought about by the pandemic, we do not purport to have fully accounted for its impact in the valuation.

xi. We did not examine and do not express an opinion on the fairness of the compensation in the Transaction to any of the Subject Entities' directors, officers or employees relative to the compensation to the Subject Entities' shareholders.

xii. Our Opinion assumed no significant change in the existing political, legal, and regulatory environment that might influence the business of AREIT and the Properties.

xiii. This Opinion is effective as of the date hereof. We have no obligation to update the Opinion unless requested by you in writing to do so and expressly disclaim any responsibility to do so in the absence of any such request.



Based upon and subject to the foregoing, it is our opinion that as of the Valuation Date, the fair valuation of AREIT's shares is between PHP39.70 and PHP44.67 using the Discounted Cash Flow approach, which we have cross-checked with the comparable companies, and precedent transactions approaches. Further, the fair value of the Properties were estimated to be between PHP10,724.3m to PHP11,858.1m using the discounted cash flows approach, which we cross-checked with the direct capitalization approach.

Based on the above, we are of the opinion that the values set by the Management for AREIT of PHP44.65 per share and PHP11,257.9m for the Properties is fair from a financial point of view.

We formed our Opinion in accordance with the requirements of SEC memorandum circular no. 13 series of 2013, Guidelines on the Conduct of Valuation and Issuance of a Fairness Opinion.

This Opinion is prepared by a team of professionals and has undergone a series of reviews by the senior members of the engagement team, and by a second partner that is independent from the engagement team.

During the execution of the valuation procedures, Isla Lipana & Co. has been compliant with the Firm's Code of Conduct and the Code of Ethics for Professional Accountants released by the International Ethics Standards Board for Accountants in 2018.

Further, the Firm has been compliant with the independence requirements of Securities Regulation Code (SRC) Rule 19 and the Philippine Stock Exchange (PSE) in relation to the Transaction. Specifically, SRC Rule 19 section 19.2.6.1 defines independence as the absence of any business interest or family relationship with any party to the Transaction or of any of its directors, officers, or major stockholders, that could, or could reasonably be perceived to, materially interfere with the exercise of the professional judgment of the Firm, its representative or any member of the engagement team, in carrying out their responsibilities in assessing the fairness of the issuer's securities. Moreover, per Memorandum No. 2011-0104, the PSE does not consider a firm to be independent if:

- a. It is a related party to the applicant companies
- b. Its holding or subsidiary company provides financial advisory in relation to the applicant companies' listing application, or external audit services to the applicant companies, and
- c. There are other circumstances or arrangements, direct or indirect, between the firm and the applicant companies that, in the determination of the PSE, may influence, or tend to influence, the objectivity and reliability of the fairness opinion and valuation report(s).



Isla Lipana & Co. has no present contemplated future interest in the Subject Entities or any other interest that might tend to prevent making a fair and unbiased valuation. Further, while the Firm provides external audit services to the following AFMI's, AREIT's and ALI's affiliates and/or associate, we assessed that the relationships with these entities do not affect our capacity to provide an independent fairness opinion.

- Bank of the Philippine Islands (BPI) Group<sup>2</sup>
- Globe Telecom Inc (Globe) Group<sup>2</sup>
- OCLP Holdings<sup>3</sup>

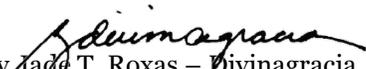
We confirm that there was no interference, direct or indirect, from these entities in the Firm's performance of its obligations as a fairness opinion provider. The following measures were also observed during the course of the valuation engagement, to ensure the independence of the Firm in issuing a fairness opinion on the Transaction:

- Before agreeing to provide the services, the valuation engagement team assessed and concluded that the valuation engagement will not create a review threat, as the results thereof will not be reflected in the financial statements that are audited by the Firm.
- Key team members assigned to perform the valuation engagement, including engagement leader, managers and staff members, are not part of the key engagement team members performing the external audit services for the identified entities. Further, strict compliance with confidentiality measures were also implemented among team members all throughout the engagement.

We will receive a fixed fee as compensation for our services in rendering this Opinion. No portion of our fees or expense reimbursements is refundable or contingent upon the consummation of the Transaction or the tenor of the conclusions reached in this Opinion.

This letter is for the information of the Board of Directors of AREIT Fund Managers, Inc. in connection with the Transaction described herein. This Opinion may not be quoted or referred to, in whole or in part, filed with, or furnished or disclosed to any other party other than the Philippine Stock Exchange and Securities and Exchange Commission, or used for any other purpose, without our prior written consent.

Very truly yours,

  
Mary Jade T. Roxas – Divinagracia, CFA<sup>®</sup>, CVA  
Managing Partner

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<sup>2</sup> Affiliate of ALI, AREIT and AFMI

<sup>3</sup> Associate of ALI

# Project Scott

Valuation of the properties of a real estate company and the shares of a REIT company

9 March 2022





Mary Jade T. Roxas - Divinagracia  
Managing Partner  
Deals and Corporate Finance  
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jade.roxas@pwc.com

AREIT Fund Managers, Inc.  
28/F Tower One & Exchange Plaza,  
Ayala Triangle, Ayala Avenue  
Makati City, 1226, Philippines

For the attention of Patricia Gail G. Yambao-Samaniego, President of AREIT Fund Managers, Inc.

9 March 2022

Dear Ms. Yambao-Samaniego,

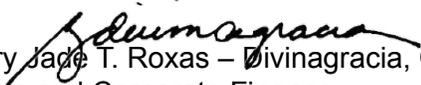
**Valuation and issuance of fairness opinion for a swap transaction**

This valuation report (the “Report”) has been prepared by Isla Lipana & Co., a member firm of PwC, solely for AREIT Fund Managers, Inc. (“AFMI”, the “Company”) with respect to the estimation of fair values of the six (6) office buildings (the “Properties”) owned by Ayala Land, Inc. (“ALI”) and the shares of AREIT, Inc. (“AREIT”, the “Shares”) (collectively, the “Subject Entities”), and in issuing a fairness opinion on the value of the Properties and Shares as at 31 December 2021 (the “Valuation Date”). We understand that Ayala Land, Inc. is contemplating to infuse the Properties to AREIT (the “Transaction”).

This Report has been prepared in accordance with our engagement letter dated 20 January 2022 and is solely for the purpose stated herein and should not be relied upon for any other purpose. This Report is strictly confidential and, save to the extent required by applicable law and/or regulation, must not be released to any third party without our expressed written consent.

If you require any clarification or further information, please contact me at +63 917 523 5913 or Darwin Saribay at +63 917 510 8069.

Sincerely yours,

  
Mary Jade T. Roxas – Divinagracia, CFA®, CVA  
Deals and Corporate Finance

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# Scope and process (1 of 3)

## Scope of work

To the fullest extent permitted by law, we accept no duty of care to any third-party in connection with the provisions of this Report and/or any related information or explanation (together, the “Information”). Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, the Firm accepts no liability of any kind to any third-party and disclaims all responsibility for the consequences of any third-party acting or refraining to act in reliance on the Information.

Accordingly, you understand and accept that the Deals and Corporate Finance group of Isla Lipana and Co., a member Firm of PwC, has not been employed in the capacity of examining certified public accountants and therefore has not expressed any form of comfort or assurance on the achievability of forecasts or the reasonableness of underlying assumptions beyond what is generally accepted under the standards common to the asset and business value measurement profession.

We performed our procedures with the assumption that all information obtained in the valuation of the Properties and Shares, including representations and warranties by Management are true, accurate, and provided in good faith.

Moreover, the scope of our work does not include a compliance review of financial information to tax laws and Philippine and International financial reporting standards. Accordingly, this Report may not have identified all matters that might be of concern to you.

Forecasts relate to future events and are based on Management assumptions which may not remain valid for the whole of the relevant period. We express no assurance of any kind on such prospective or forecast information since there will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences in results may be material. Consequently, this Information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. Accordingly, we express no opinion as to how closely the actual results achieved will correspond to the forecasts, and we take no responsibility of any kind for the achievement of the forecast provided by the Management.

# Scope and process (2 of 3)

## Sources of information

The information used by the Firm in preparing this Report have been obtained from a variety of sources as indicated within it. These include public disclosures and information obtained, discussed, and agreed with you. **Specifically, the information used by the Firm in preparing this Report is substantially based on information provided by the Management.** These inputs include, but are not limited to:

- Unaudited standalone trial balances of AREIT and the Properties as of 31 December 2021;
- Audited financial statements of AREIT for 2019 and 2020, and ALI, Cebu Holdings, Inc, and Asian I-Office for 2017, 2018, 2019, and 2020 reporting periods;
- Tax declarations for AREIT and the Properties, and real property tax receipts for sample properties;
- Forecasted financial information for AREIT and the Properties;
- Lapsing schedules for AREIT and the Properties;
- Original acquisition cost and depreciation for AREIT and the Properties;
- Historical and forecasted operating statistics for AREIT and the Properties, particularly gross leasable area (GLA), lease rates, escalation rates, occupancy rates, common area charges, and estimated capital expenditures;
- Appraisal reports for AREIT and the Properties issued in 2021 and 2022;
- Sample lease agreements for Ayala North Exchange, Evotech 1 & 2, BPI Philam Life Makati, BPI Philam Life Alabang and Technopark Land, Inc;
- Summary lease terms for AREIT and the Properties; and
- Annual depreciation expense per property

Moreover, except where otherwise stated in the Report, we have not subjected the financial information in the Report to checking or verification procedures. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of AFMI, AREIT and ALI. Our work cannot be relied upon to discover errors, irregularities, or illegal acts.

# Scope and process (3 of 3)

## Limitations

Our Report is not intended to be the basis for investment decisions and any action you take must ultimately remain a decision for you, taking into account matters outside the scope of our work of which you are aware of.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our valuation as falling within expected ranges, which in our opinion is reasonable and defensible, and others might wish to argue for different values.

Our conclusions are based on the information available as at the date of the Report. **To the extent appropriate and given the information made available to us, we have incorporated the potential impact of COVID-19 in the valuation. We have considered current property and market conditions as a result of the pandemic in analyzing the reasonableness of assumptions used. However, given the uncertainties brought about by the pandemic, we do not purport to have fully accounted for its impact in the valuation.**

**We have not considered events subsequent to the date of the Report. Based on discussions with Management, we are not aware of any events subsequent to the Valuation Date and up to the date hereof that may materially impact the forecasted financial performance and other key inputs used in the valuation, or any circumstances that may materially impact the conclusions drawn in the valuation report.**

Additionally, conducting a transfer pricing study is not part of our scope. Accordingly, we relied on the lease rates provided by Management for the purpose of this valuation exercise.

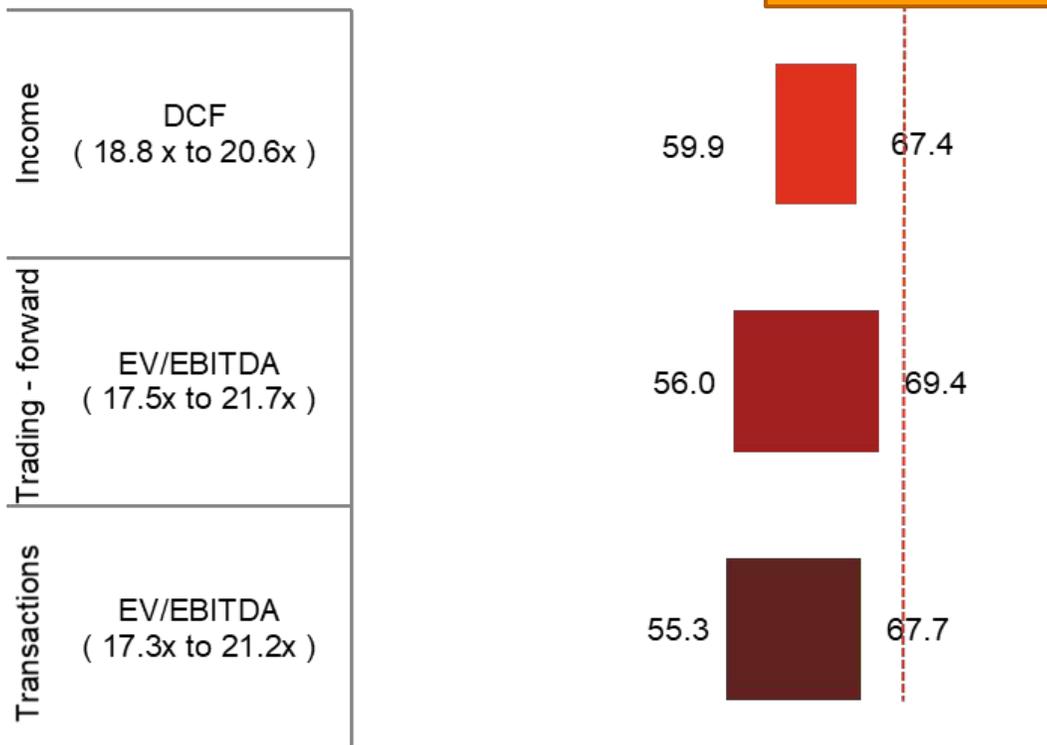
Economic conditions, market factors and changes in the performance of the business of the Subject Entities may result in our conclusions becoming quickly outdated and may require updating from time to time or before any major decisions are taken based on the Report. In any event, if you intend to make any decision based on the Report more than three months from the date of the Report, you must request our written confirmation as to the currency of our findings and conclusions.

# At a glance

# At a glance (1 of 3)

**Highlights** – The range of equity values of AREIT is estimated to be between **PHP59.9b and PHP67.4b** using the discounted cash flows approach, **PHP56.0b and PHP69.4b** using the comparable companies approach, and **PHP55.3b and PHP67.7b** using the precedent transactions approach.

## AREIT, Inc. - Range of equity values PHP in billions



### Values in PHPm

(except for value per share)	Low	High	Management
Sum of PV of cash flows	59,571.3	67,080.0	64,883.0
Add: NOAL	2,343.9	2,343.9	2,609.3
<b>Enterprise value</b>	<b>61,915.2</b>	<b>69,423.9</b>	<b>67,492.3</b>
Less: Net debt and debt-like items	(2,018.7)	(2,024.9)	(2,021.3)
Equity value	<b>59,896.5</b>	<b>67,399.0</b>	<b>65,471.0</b>
<b>Value per share<sup>3</sup></b>	<b>39.70</b>	<b>44.67</b>	<b>43.39</b>

#### Notes:

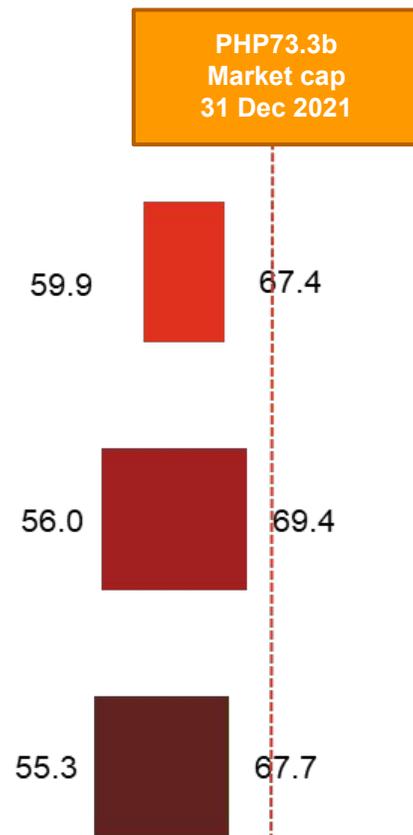
1. The cash flows are discounted using a WACC of 8.0% using the Capital Asset Pricing Model.
2. The 30th Mall and Vertis Mall pay a fixed building lease to AREIT, but economic rights and operating income from the malls remain with North Eastern Commercial Corp. ("NECC"), a wholly owned subsidiary of ALI. The fixed building lease income from the malls, net of expenses, were considered in the valuation of AREIT.
3. The number of outstanding shares as of 31 December 2021("Valuation date") is 1,508,910,810 per PSE.
4. Values may not add up to due to rounding-off.

# At a glance (2 of 3)

**Highlights** – The range of equity values of AREIT is estimated to be between **PHP59.9b and PHP67.4b** using the discounted cash flows approach, **PHP56.0b and PHP69.4b** using the comparable companies approach, and **PHP55.3b and PHP67.7b** using the precedent transactions approach.

## AREIT, Inc. - Range of equity values PHP in billions

Income	DCF ( 18.8 x to 20.6x )
Trading - forward	EV/EBITDA ( 17.5x to 21.7x )
Transactions	EV/EBITDA ( 17.3x to 21.2x )



### Values in PHPm

(except for value per share)

	Low	High	Management
Sum of PV of cash flows	59,571.3	67,080.0	64,883.0
Add: NOAL	2,343.9	2,343.9	2,609.3
<b>Enterprise value</b>	<b>61,915.2</b>	<b>69,423.9</b>	<b>67,492.3</b>
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<b>Value per share</b>	<b>39.70</b>	<b>44.67</b>	<b>43.39</b>

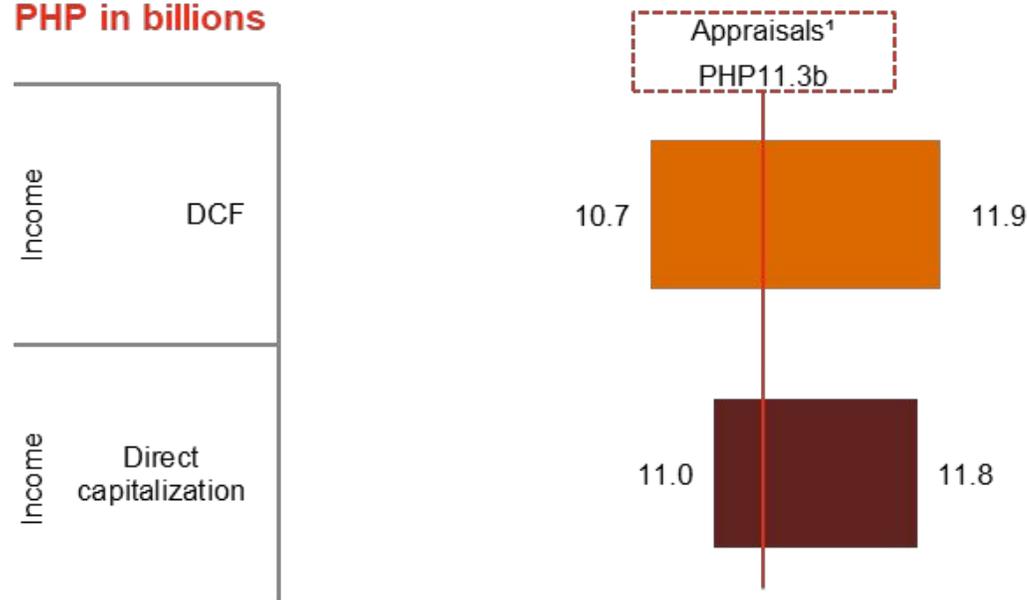
The range of values that we have independently estimated using a combination of the income and market approaches are lower than the traded price of AREIT as at Valuation date. We assessed this may be attributable to the following factors and circumstances, among others:

- Improved performance of the PSEi relative to benchmarks like MSCI Emerging Markets index;
- Interviews and discussions with key management personnel to better understand Management's outlook, expectations, and recovery plans;
- Access to detailed schedules and internal reports, documents, and analyses that the Management has provided, resulting in better visibility on AREIT's operations and strategies;
- Conduct of detailed procedures to estimate the intrinsic value of AREIT's existing assets using operating statistics, existing and planned capacity, and pricing policies/strategies of AREIT, among others, that are not publicly available and might not have been reflected in AREIT's market price; and
- Estimate of fundamental value based on the capacity of AREIT to generate future cash flows, instead of using technical analysis that may have factored in potential discounts for trading sentiment and market expectations.

# At a glance (3 of 3)

**Highlights** – The range of values of the Properties is estimated to be between **PHP10.7b to PHP11.9b** using the discounted cash flows approach and **PHP11.0b to PHP11.8b** using the direct capitalization approach.

## ALI properties - Range of equity values PHP in billions



Values in PHPm	Low	High	Management
eBloc 1	2,030.9	2,314.7	2,115.6
eBloc 2	2,561.0	2,966.5	2,686.9
eBloc 3	1,338.6	1,467.2	1,365.9
eBloc 4	1,680.7	1,764.9	1,774.9
ACC (Ayala Center Cebu)	2,036.6	2,185.9	2,187.5
Tech Tower	1,076.5	1,158.9	1,210.4
<b>Property Values</b>	<b>10,724.3</b>	<b>11,858.1</b>	<b>11,341.2</b>

### Notes

1. Based on latest appraisal reports provided by Management.
2. Property values using the discounted cash flows and direct capitalization approach are net of deposit liabilities that are part of the transfer.
3. The cash flows are discounted using a WACC of 8.0% using the Capital Asset Pricing Model.
4. Values may not add up to due to rounding-off.

# Thank you.

[pwc.com](https://www.pwc.com)

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# VALUATION REPORT

*presented to*

**AREIT FUND MANAGERS, INC.**

**Income Approach**

**eBloc Tower 1**

BCG22-C10923-001.1 | as of December 31, 2021

**ASIAN APPRAISAL**

**PRIVATE AND CONFIDENTIAL**

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09 March 2022

**AREIT FUND MANAGERS, INC.**

30th Floor, Tower One, Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila 1226  
(The "CLIENT/COMPANY")

Attention: **MS. PATRICIA GAIL Y. SAMANIEGO**

Re: **AACI File No. BCG22-C10923-001.1**  
Appraisal of Property

**Gentlemen:**

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of *The eBloc Tower 1* (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation: For financial reporting purposes only.

Subject of the valuation: The subject of the valuation is *The eBloc Tower 1*, located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Basis of value: The valuation was made on the basis of *fair value*.

**Fair value** is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13)."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)

Valuation date: The valuation date is as of 31 December 2021.

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
TWO BILLION  
ONE HUNDRED SIX MILLION  
FIVE HUNDRED FORTY THOUSAND ONLY**  
*(In Words)*

**PHP2,106,540,000.00**  
*(In Figures)*

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

**WE HEREBY CERTIFY** that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

**ASIAN APPRAISAL COMPANY, INC.**

  
**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

## CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.

  
**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.
- c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.
- h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

- i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.
- m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- o) Erasures on appraisal date and values invalidate this valuation report.
- p) This appraisal report is invalid unless it bears the service seal of AACI.

## 1 Identification of the Client

### 1.1 AREIT FUND MANAGERS, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

## 2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

## 3 Basis of Value

The basis of value shall be **fair value** which is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13).”

## 4 Macroeconomic Overview: Philippine Economy

### 4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
<b>GROSS DOMESTIC PRODUCT</b>	<b>4,133,878</b>	<b>4,428,969</b>	<b>295,090.62</b>		<b>7.1%</b>	

Source: PSA and AACL estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

**Table 2. Gross Value Added in Industry  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
<b>INDUSTRY SECTOR</b>	<b>1,113,357</b>	<b>1,200,900</b>	<b>87,542.95</b>		<b>7.9%</b>	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

**Table 3. Gross Value Added in Services  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
Transportation and storage	118,961	136,562	17,600.25	8.21%	14.8%	0.7%
Accommodation and food service activities	48,427	53,991	5,563.88	2.60%	11.5%	0.2%
Information and communication	124,439	135,026	10,587.56	4.94%	8.5%	0.4%
Financial and insurance activities	428,205	455,503	27,297.26	12.74%	6.4%	1.0%
Real estate and ownership of dwellings	266,445	278,860	12,414.50	5.79%	4.7%	0.5%
Professional and business services	268,147	298,932	30,784.78	14.36%	11.5%	1.2%
Public administration and defense; compulsory social activities	213,079	224,113	11,034.45	5.15%	5.2%	0.4%
Education	152,381	173,397	21,015.77	9.81%	13.8%	0.8%
Human health and social work activities	74,399	87,600	13,201.38	6.16%	17.7%	0.5%
Other services	44,918	54,041	9,122.78	4.26%	20.3%	0.3%
<b>SERVICES SECTOR</b>	<b>2,615,533</b>	<b>2,829,856</b>	<b>214,322.87</b>		<b>8.2%</b>	

Source: PSA and AACI estimates, November 2021

**5 Extent of investigation and nature and source of the information relied upon**

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

## 6 Particulars of the Property

### 6.1 eBloc Tower 1

A 12-storey mid-rise office building, the eBloc Tower was completed in 2009 and is now host to two of the biggest global BPO or IT companies. The building is located along Jose Ma. Del Mar Avenue of Cebu I.T. Park, Barangay Apas, Cebu City. The eBloc Tower sits on a 4,432-square meter lot.

*(Source: Cebu Holdings Website)*



*Figure 1: The eBloc Tower 1*  
*Source: Cebu Holdings Website*

## 7 Valuation Approaches and Methodology

### 7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

#### 7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

#### 7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

#### 7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

## 7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

## 7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

**FV** = the future value of the investment PV after t years

**PV** = the principal amount of an investment or its present value

**i** = the applicable compound interest or discount rate

**t** = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

## 7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
<b>Cost of equity</b>	<b>11.4029%</b>	<b>0.08</b>	<b>0.094</b>
Computation of Weighted Average Cost of Capital			
	<b>Cost</b>	<b>%</b>	<b>Weight</b>
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
<b>Weighted average cost of capital</b>			<b>8.38%</b>

## 7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value,  $\sum PV$ , is just the sum of the present worth of the expected economic benefits to be received.

## 7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

- 7.9.1 The total gross leasable area is approximately 20,842 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

## 8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
TWO BILLION  
ONE HUNDRED SIX MILLION  
FIVE HUNDRED FORTY THOUSAND ONLY**  
*(In Words)*

**PHP2,106,540,000.00**  
*(In Figures)*

## 9 Valuation Date

This valuation is as of 31 December 2021.

# VALUATION REPORT

*presented to*

**AREIT FUND MANAGERS, INC.**

**Income Approach**

**eBloc Tower 2**

**BCG22-C10923-001.2 | as of December 31, 2021**

**ASIAN APPRAISAL**

**PRIVATE AND CONFIDENTIAL**

---

09 March 2022

**AREIT FUND MANAGERS, INC.**

30th Floor, Tower One, Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila 1226  
(The "CLIENT/COMPANY")

Attention: **MS. PATRICIA GAIL Y. SAMANIEGO**

Re: **AACI File No. BCG22-C10923-001.2**  
Appraisal of Property

**Gentlemen:**

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of *The eBloc Tower 2* (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation: For financial reporting purposes only.

Subject of the valuation: The subject of the valuation is *The eBloc Tower 2*, located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Basis of value: The valuation was made based on *fair value*.

**Fair value** is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13)."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)

Valuation date: The valuation date is as of 31 December 2021.

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
TWO BILLION  
SIX HUNDRED FORTY-FIVE MILLION  
SIX HUNDRED NINETY THOUSAND ONLY**  
*(In Words)*

**PHP2,645,690,000.00**  
*(In Figures)*

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

**WE HEREBY CERTIFY** that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

**ASIAN APPRAISAL COMPANY, INC.**

  
**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

## CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.



**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
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## ASSUMPTIONS AND LIMITING CONDITIONS

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- b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.
- c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party because of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.
- h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- i) It is assumed that all building, sidewalk, and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

- j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.
- m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly considered, but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- o) Erasures on appraisal date and values invalidate this valuation report.
- p) This appraisal report is invalid unless it bears the service seal of AACI.

## 1 Identification of the Client

### 1.1 AREIT FUND MANAGERS, INC.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

## 2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

## 3 Basis of Value

The basis of value shall be **fair value** which is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13).”

## 4 Macroeconomic Overview: Philippine Economy

### 4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry**  
**Q3 2020 and Q3 2021**  
**At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
<b>GROSS DOMESTIC PRODUCT</b>	<b>4,133,878</b>	<b>4,428,969</b>	<b>295,090.62</b>		<b>7.1%</b>	

Source: PSA and AACL estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water, and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

**Table 2. Gross Value Added in Industry  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
<b>INDUSTRY SECTOR</b>	<b>1,113,357</b>	<b>1,200,900</b>	<b>87,542.95</b>		<b>7.9%</b>	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

**Table 3. Gross Value Added in Services  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
Transportation and storage	118,961	136,562	17,600.25	8.21%	14.8%	0.7%
Accommodation and food service activities	48,427	53,991	5,563.88	2.60%	11.5%	0.2%
Information and communication	124,439	135,026	10,587.56	4.94%	8.5%	0.4%
Financial and insurance activities	428,205	455,503	27,297.26	12.74%	6.4%	1.0%
Real estate and ownership of dwellings	266,445	278,860	12,414.50	5.79%	4.7%	0.5%
Professional and business services	268,147	298,932	30,784.78	14.36%	11.5%	1.2%
Public administration and defense; compulsory social activities	213,079	224,113	11,034.45	5.15%	5.2%	0.4%
Education	152,381	173,397	21,015.77	9.81%	13.8%	0.8%
Human health and social work activities	74,399	87,600	13,201.38	6.16%	17.7%	0.5%
Other services	44,918	54,041	9,122.78	4.26%	20.3%	0.3%
<b>SERVICES SECTOR</b>	<b>2,615,533</b>	<b>2,829,856</b>	<b>214,322.87</b>		<b>8.2%</b>	

Source: PSA and AACI estimates, November 2021

**5 Extent of investigation and nature and source of the information relied upon**

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website.
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

## 6 Particulars of the Property

### 6.1 eBloc Tower 2

eBloc Tower 2 is a 16-level office building with a total gross floor area of 34,762 square meters located in Phase 2 of Cebu I.T. Park. Launched in June 2010.

*(Source: Cebu Holdings Website)*



*Figure 1: The eBloc Tower 2*  
*Source: Cebu Holdings Website*

## 7 Valuation Approaches and Methodology

### 7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

#### 7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

#### 7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

#### 7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

## 7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

## 7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

**FV** = the future value of the investment PV after t years

**PV** = the principal amount of an investment or its present value

**i** = the applicable compound interest or discount rate

**t** = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

## 7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
<b>Cost of equity</b>	<b>11.4029%</b>	<b>0.08</b>	<b>0.094</b>
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
<b>Weighted average cost of capital</b>			<b>8.38%</b>

## 7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value,  $\sum PV$ , is just the sum of the present worth of the expected economic benefits to be received.

## 7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

- 7.9.1 The total gross leasable area is approximately 27,727 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

## 8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
TWO BILLION  
SIX HUNDRED FORTY-FIVE MILLION  
SIX HUNDRED NINETY THOUSAND ONLY**  
*(In Words)*

**PHP2,645,690,000.00**  
*(In Figures)*

## 9 Valuation Date

This valuation is as of 31 December 2021.

# VALUATION REPORT

*presented to*

**AREIT FUND MANAGERS, INC.**

**Income Approach**

**eBloc Tower 3**

BCG22-C10923-001.3 | as of December 31, 2021

**ASIAN APPRAISAL**

**PRIVATE AND CONFIDENTIAL**

---

09 March 2022

**AREIT FUND MANAGERS, INC.**

30th Floor, Tower One, Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila 1226  
(The "CLIENT/COMPANY")

Attention: **MS. PATRICIA GAIL Y. SAMANIEGO**

Re: **AACI File No. BCG22-C10923-001.3**  
Appraisal of Property

**Gentlemen:**

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of *The eBloc Tower 3* (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation: For financial reporting purposes only.

Subject of the valuation: The subject of the valuation is *The eBloc Tower 3*, located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Basis of value: The valuation was made on the basis of *fair value*.

**Fair value** is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13)."

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Valuation date: The valuation date is as of 31 December 2021.

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

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THREE HUNDRED SEVENTY-SIX MILLION  
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*(In Words)*

**PHP1,376,300,000.00**

*(In Figures)*

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

**WE HEREBY CERTIFY** that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

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**ENGR JOHN C. PAR**

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Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

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The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry**  
**Q3 2020 and Q3 2021**  
**At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
<b>GROSS DOMESTIC PRODUCT</b>	<b>4,133,878</b>	<b>4,428,969</b>	<b>295,090.62</b>		<b>7.1%</b>	

Source: PSA and AACI estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

**Table 2. Gross Value Added in Industry  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
<b>INDUSTRY SECTOR</b>	<b>1,113,357</b>	<b>1,200,900</b>	<b>87,542.95</b>		<b>7.9%</b>	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

**Table 3. Gross Value Added in Services  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
Transportation and storage	118,961	136,562	17,600.25	8.21%	14.8%	0.7%
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**5 Extent of investigation and nature and source of the information relied upon**

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

## 6 Particulars of the Property

### 6.1 eBloc Tower 3

The third of the series of eBloc Towers broke ground in early 2012 and was completed last August 2014. Like its predecessors, eBloc Tower 3 is a state-of-the-art, 12-floor office building which will bring in more than 15,700 square meters of leasable space. Retail spaces will also be available at the ground floor to cater to the needs of the BPO community.

*(Source: Cebu Holdings Website)*



*Figure 1: The eBloc Tower 3  
Source: Cebu Holdings Website*

## 7 Valuation Approaches and Methodology

### 7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

#### 7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

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#### 7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

## 7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

## 7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

**FV** = the future value of the investment PV after t years

**PV** = the principal amount of an investment or its present value

**i** = the applicable compound interest or discount rate

**t** = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

## 7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
<b>Cost of equity</b>	<b>11.4029%</b>	<b>0.08</b>	<b>0.094</b>
Computation of Weighted Average Cost of Capital			
	<b>Cost</b>	<b>%</b>	<b>Weight</b>
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
<b>Weighted average cost of capital</b>			<b>8.38%</b>

## 7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value,  $\sum PV$ , is just the sum of the present worth of the expected economic benefits to be received.

## 7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

- 7.9.1 The total gross leasable area is approximately 15,233 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

## 8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
ONE BILLION  
THREE HUNDRED SEVENTY-SIX MILLION  
THREE HUNDRED THOUSAND ONLY**

*(In Words)*

**PHP1,376,300,000.00**

*(In Figures)*

## 9 Valuation Date

This valuation is as of 31 December 2021.

# VALUATION REPORT

*presented to*

**AREIT FUND MANAGERS, INC.**

**Income Approach**

**eBloc Tower 4**

**BCG22-C10923-001.4 | as of December 31, 2021**

**ASIAN APPRAISAL**

**PRIVATE AND CONFIDENTIAL**

---

09 March 2022

**AREIT FUND MANAGERS, INC.**

30th Floor, Tower One, Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila 1226  
(The "CLIENT/COMPANY")

Attention: **MS. PATRICIA GAIL Y. SAMANIEGO**

Re: **AACI File No. BCG22-C10923-001.4**  
Appraisal of Property

**Gentlemen:**

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of *The eBloc Tower 4* (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation: For financial reporting purposes only.

Subject of the valuation: The subject of the valuation is *The eBloc Tower 4*, located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Basis of value: The valuation was made on the basis of *fair value*.

**Fair value** is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13)."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)

Valuation date: The valuation date is as of 31 December 2021.

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
ONE BILLION  
SEVEN HUNDRED FORTY-THREE MILLION  
FORTY THOUSAND ONLY**

*(In Words)*

**PHP1,743,040,000.00**

*(In Figures)*

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

**WE HEREBY CERTIFY** that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

**ASIAN APPRAISAL COMPANY, INC.**

  
**ENGR. JOHN C. PAR**

First Vice President

Certified Review Appraiser

Licensed Real Estate Appraiser

PRC REA No. 0002803

PTR No. 8557165

## GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

## CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.



**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.
- c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.
- h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

- i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.
- m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- o) Erasures on appraisal date and values invalidate this valuation report.
- p) This appraisal report is invalid unless it bears the service seal of AACI.

## 1 Identification of the Client

### 1.1 AREIT FUND MANAGERS, INC.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

## 2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

## 3 Basis of Value

The basis of value shall be **fair value** which is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13).”

## 4 Macroeconomic Overview: Philippine Economy

### 4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

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## 6 Particulars of the Property

### 6.1 eBloc Tower 4

Coming from the highly successful eBloc Tower series, eBloc Tower 4 is an innovative addition to the growing IT/BPO industry in Cebu. It broke ground last October 2013 and finished by 1st Quarter of 2016. The eBloc Tower 4 houses a large retail provision and easily accessed landscaped storefronts at the ground level to cater to the needs of the BPO workers 24/7.

*(Source: Cebu Holdings Website)*



*Figure 1: The eBloc Tower 4  
Source: Cebu Holdings Website*

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The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

## 7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

## 7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

**FV** = the future value of the investment PV after t years

**PV** = the principal amount of an investment or its present value

**i** = the applicable compound interest or discount rate

**t** = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

## 7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
<b>Cost of equity</b>	<b>11.4029%</b>	<b>0.08</b>	<b>0.094</b>
Computation of Weighted Average Cost of Capital			
	<b>Cost</b>	<b>%</b>	<b>Weight</b>
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
<b>Weighted average cost of capital</b>			<b>8.38%</b>

## 7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value,  $\sum PV$ , is just the sum of the present worth of the expected economic benefits to be received.

## 7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

- 7.9.1 The total gross leasable area is approximately 16,167 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

## 8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
ONE BILLION  
SEVEN HUNDRED FORTY-THREE MILLION  
FORTY THOUSAND ONLY**  
*(In Words)*

**PHP1,743,040,000.00**  
*(In Figures)*

## 9 Valuation Date

This valuation is as of 31 December 2021.

# VALUATION REPORT

*presented to*

**AREIT FUND MANAGERS, INC.**

**Income Approach**

**Ayala Center Cebu Tower**

**BCG22-C10923-001.5 | as of December 31, 2021**

**ASIAN APPRAISAL**

**PRIVATE AND CONFIDENTIAL**

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09 March 2022

**AREIT FUND MANAGERS, INC.**

30th Floor, Tower One, Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila 1226  
(The "CLIENT/COMPANY")

Attention: **MS. PATRICIA GAIL Y. SAMANIEGO**

Re: **AACI File No. BCG22-C10923-001.5**  
Appraisal of Property

**Gentlemen:**

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of *The Ayala Center Cebu Tower* (the "PROPERTY") located along Bohol Avenue, Cebu Business Park, Barangay Mabolo, Cebu City.

Purpose of the valuation: For financial reporting purposes only.

Subject of the valuation: The subject of the valuation is *The Ayala Center Cebu Tower*, located along Bohol Avenue, Cebu Business Park, Barangay Mabolo, Cebu City.

Basis of value: The valuation was made based on *fair value*.

**Fair value** is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13)."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)

Valuation date: The valuation date is as of 31 December 2021.

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
TWO BILLION  
ONE HUNDRED EIGHTY-FIVE MILLION  
FOUR HUNDRED TWENTY THOUSAND ONLY**  
*(In Words)*

**PHP2,185,420,000.00**  
*(In Figures)*

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

**WE HEREBY CERTIFY** that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

**ASIAN APPRAISAL COMPANY, INC.**

  
**ENGR JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

## CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.



**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges, or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.
- c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party because of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.
- h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- i) It is assumed that all building, sidewalk, and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

- j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.
- m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly considered, but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- o) Erasures on appraisal date and values invalidate this valuation report.
- p) This appraisal report is invalid unless it bears the service seal of AACI.

## 1 Identification of the Client

### 1.1 AREIT FUND MANAGERS, INC.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

## 2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

## 3 Basis of Value

The basis of value shall be **fair value** which is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13).”

## 4 Macroeconomic Overview: Philippine Economy

### 4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
<b>GROSS DOMESTIC PRODUCT</b>	<b>4,133,878</b>	<b>4,428,969</b>	<b>295,090.62</b>		<b>7.1%</b>	

Source: PSA and AACI estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water, and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

**Table 2. Gross Value Added in Industry  
 Q3 2020 and Q3 2021**

**At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
<b>INDUSTRY SECTOR</b>	<b>1,113,357</b>	<b>1,200,900</b>	<b>87,542.95</b>		<b>7.9%</b>	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

**Table 3. Gross Value Added in Services  
 Q3 2020 and Q3 2021  
 At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
Transportation and storage	118,961	136,562	17,600.25	8.21%	14.8%	0.7%
Accommodation and food service activities	48,427	53,991	5,563.88	2.60%	11.5%	0.2%
Information and communication	124,439	135,026	10,587.56	4.94%	8.5%	0.4%
Financial and insurance activities	428,205	455,503	27,297.26	12.74%	6.4%	1.0%
Real estate and ownership of dwellings	266,445	278,860	12,414.50	5.79%	4.7%	0.5%
Professional and business services	268,147	298,932	30,784.78	14.36%	11.5%	1.2%
Public administration and defense; compulsory social activities	213,079	224,113	11,034.45	5.15%	5.2%	0.4%
Education	152,381	173,397	21,015.77	9.81%	13.8%	0.8%
Human health and social work activities	74,399	87,600	13,201.38	6.16%	17.7%	0.5%
Other services	44,918	54,041	9,122.78	4.26%	20.3%	0.3%
<b>SERVICES SECTOR</b>	<b>2,615,533</b>	<b>2,829,856</b>	<b>214,322.87</b>		<b>8.2%</b>	

Source: PSA and AACI estimates, November 2021

**5 Extent of investigation and nature and source of the information relied upon**

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website.
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

## 6 Particulars of the Property

### 6.1 Ayala Center Cebu Tower

Ayala Center Cebu Tower is a 20 storey office tower situated within Cebu Business Park, a 50 hectare mixed-used development with residential, business and commercial spaces.

The PROPERTY is strategically located at the west side of Ayala Center Cebu as it is designed as an integrated part of the mall connecting retail and the parking podium with direct access to and from the Public Utility Jeepney (PUJ) Terminal through a covered walkway at the 2nd level of the office building.

*(Source: Cebu Holdings Website)*



*Figure 1: The Ayala Center Cebu Tower  
Source: Cebu Holdings Website*

## 7 Valuation Approaches and Methodology

### 7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

#### 7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

#### 7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

#### 7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

## 7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

## 7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

**FV** = the future value of the investment PV after t years

**PV** = the principal amount of an investment or its present value

**i** = the applicable compound interest or discount rate

**t** = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

## 7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
<b>Cost of equity</b>	<b>11.4029%</b>	<b>0.08</b>	<b>0.094</b>
Computation of Weighted Average Cost of Capital			
	<b>Cost</b>	<b>%</b>	<b>Weight</b>
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
<b>Weighted average cost of capital</b>			<b>8.38%</b>

## 7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value,  $\sum PV$ , is just the sum of the present worth of the expected economic benefits to be received.

## 7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

- 7.9.1 The total gross leasable area is approximately 27,517 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

## 8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
TWO BILLION  
ONE HUNDRED EIGHTY-FIVE MILLION  
FOUR HUNDRED TWENTY THOUSAND ONLY**  
*(In Words)*

**PHP2,185,420,000.00**  
*(In Figures)*

## 9 Valuation Date

This valuation is as of 31 December 2021.

# VALUATION REPORT

*presented to*

**AREIT FUND MANAGERS, INC.**

**Income Approach**

**Tech Tower**

BCG22-C10923-001.6 | as of December 31, 2021

**ASIAN APPRAISAL**

**PRIVATE AND CONFIDENTIAL**

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09 March 2022

**AREIT FUND MANAGERS, INC.**

30th Floor, Tower One, Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila 1226  
(The "CLIENT/COMPANY")

Attention: **MS. PATRICIA GAIL Y. SAMANIEGO**

Re: **AACI File No. BCG22-C10923-001.6**  
Appraisal of Property

**Gentlemen:**

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of *The Tech Tower* (the "PROPERTY") located along Sumilon Road, Cebu Business Park, Cebu City.

Purpose of the valuation: For financial reporting purposes only.

Subject of the valuation: The subject of the valuation is *The Tech Tower*, located along Sumilon Road, Cebu Business Park, Cebu City.

Basis of value: The valuation was made on the basis of *fair value*.

**Fair value** is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13)."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)

Valuation date: The valuation date is as of 31 December 2021.

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
ONE BILLION  
TWO HUNDRED FOUR MILLION  
ONE HUNDRED TWENTY THOUSAND ONLY**  
*(In Words)*

**PHP1,204,120,000.00**  
*(In Figures)*

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

**WE HEREBY CERTIFY** that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

**ASIAN APPRAISAL COMPANY, INC.**

  
**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

## CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.



**ENGR. JOHN C. PAR**  
First Vice President  
Certified Review Appraiser  
Licensed Real Estate Appraiser  
PRC REA No. 0002803  
PTR No. 8557165

## ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.
- c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.
- h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

- j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.
- m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- o) Erasures on appraisal date and values invalidate this valuation report.
- p) This appraisal report is invalid unless it bears the service seal of AACI.

## 1 Identification of the Client

### 1.1 AREIT FUND MANAGERS, INC.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

## 2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

## 3 Basis of Value

The basis of value shall be **fair value** which is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13).”

## 4 Macroeconomic Overview: Philippine Economy

### 4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
<b>GROSS DOMESTIC PRODUCT</b>	<b>4,133,878</b>	<b>4,428,969</b>	<b>295,090.62</b>		<b>7.1%</b>	

Source: PSA and AACL estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

**Table 2. Gross Value Added in Industry  
Q3 2020 and Q3 2021**

**At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
<b>INDUSTRY SECTOR</b>	<b>1,113,357</b>	<b>1,200,900</b>	<b>87,542.95</b>		<b>7.9%</b>	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

**Table 3. Gross Value Added in Services  
Q3 2020 and Q3 2021  
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
Transportation and storage	118,961	136,562	17,600.25	8.21%	14.8%	0.7%
Accommodation and food service activities	48,427	53,991	5,563.88	2.60%	11.5%	0.2%
Information and communication	124,439	135,026	10,587.56	4.94%	8.5%	0.4%
Financial and insurance activities	428,205	455,503	27,297.26	12.74%	6.4%	1.0%
Real estate and ownership of dwellings	266,445	278,860	12,414.50	5.79%	4.7%	0.5%
Professional and business services	268,147	298,932	30,784.78	14.36%	11.5%	1.2%
Public administration and defense; compulsory social activities	213,079	224,113	11,034.45	5.15%	5.2%	0.4%
Education	152,381	173,397	21,015.77	9.81%	13.8%	0.8%
Human health and social work activities	74,399	87,600	13,201.38	6.16%	17.7%	0.5%
Other services	44,918	54,041	9,122.78	4.26%	20.3%	0.3%
<b>SERVICES SECTOR</b>	<b>2,615,533</b>	<b>2,829,856</b>	<b>214,322.87</b>		<b>8.2%</b>	

Source: PSA and AACI estimates, November 2021

**5 Extent of investigation and nature and source of the information relied upon**

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

## 6 Particulars of the Property

### 6.1 Tech Tower

Tech Tower, a 12-storey mid-rise BPO building, is an innovative work environment designed to promote distinct workspaces which encourage creativity and interaction. It is envisioned to attract progressive BPO, IT, and ITES business locators.

*(Source: Cebu Holdings Website)*



*Figure 1: The Tech Tower*  
*Source: Cebu Holdings Website*

## 7 Valuation Approaches and Methodology

### 7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

#### 7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

#### 7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

#### 7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

## 7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

## 7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

**FV** = the future value of the investment PV after t years

**PV** = the principal amount of an investment or its present value

**i** = the applicable compound interest or discount rate

**t** = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

## 7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
<b>Cost of equity</b>	<b>11.4029%</b>	<b>0.08</b>	<b>0.094</b>
Computation of Weighted Average Cost of Capital			
	<b>Cost</b>	<b>%</b>	<b>Weight</b>
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
<b>Weighted average cost of capital</b>			<b>8.38%</b>

## 7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value,  $\sum PV$ , is just the sum of the present worth of the expected economic benefits to be received.

## 7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

- 7.9.1 The total gross leasable area is approximately 16,813 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

## 8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of **THE PROPERTY** as of 31 December 2021 is as follows:

**PESOS:  
ONE BILLION  
TWO HUNDRED FOUR MILLION  
ONE HUNDRED TWENTY THOUSAND ONLY**  
*(In Words)*

**PHP1,204,120,000.00**  
*(In Figures)*

## 9 Valuation Date

This valuation is as of 31 December 2021.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of AREIT, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

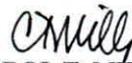
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
JOSE EMMANUEL H. JALANDONI  
Chairman, Board of Directors

  
CAROL T. MILLS  
President & Chief Executive Officer

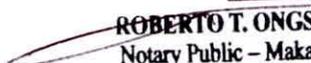
  
MA. TERESA R. FAMY  
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 24 2022 at Makati City, affiants exhibiting to me their respective Passports, to wit:

<u>Name</u>	<u>Passport No.</u>	<u>Date &amp; Place of Issue</u>
Jose Emmanuel H. Jalandoni	P6984078B	June 15, 2021 / DFA Manila
Carol T. Mills	P9958069A	December 17, 2018 / DFA NCR South
Ma. Teresa R. Famy	P8757104B	January 25, 2022 / DFA Manila

Doc. No. 102 ;  
Page No. 22 ;  
Book No. XL1 ;  
Series of 2022.



  
ROBERTO T. ONGSIAKO  
Notary Public - Makati City  
Appt. No. M-149 until December 31, 2022  
Roll of Attorneys No. 37041  
Lifetime IBP No. 02163 - RSM Chapter  
PTR No. 8852355MJ - 01/03/2022 - Makati City  
MCLE Compliance No. VII - 0000267 - 07/30/2019  
4th Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

Notarial DST pursuant to  
Section 188 of the Tax Code  
attached in Notary Public's copy



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors  
AREIT, Inc.  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

### Opinion

We have audited the financial statements of AREIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



### **Valuation of Investment Properties**

The Company owns and operates investment properties located in Luzon and Visayas which comprise 88.6% of its total assets as of December 31, 2021. The investment properties are accounted for under the fair value method and the valuations were carried out by the management and an external valuer.

We identified the valuation of investment properties account as a key audit matter because it is material to the financial statements and the determination of the fair values of these properties involves significant judgment and estimation by the management and external valuer. They apply key assumptions for discount rates, growth rates and free cash flows, which are influenced by the prevailing market rates and comparable information.

The Company's disclosures about investment properties are included in Note 7 to the financial statements.

### **Audit Response**

We evaluated the reasonableness of the fair value computations, valuation methodology adopted and the underlying assumptions in connection with the valuations of investment properties of the Company as of December 31, 2021. These key assumptions include discount rates, growth rates and free cash flows. In addition, we assessed whether the discount rates used are within the acceptable range with assistance from our internal valuation specialist and performed a certain sensitivity analysis. We evaluated the competence and independence of the external valuer engaged by the Company. We will also assess the sufficiency of disclosures in the financial statements.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear in our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of AREIT, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez  
Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 112004-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2022



**AREIT, INC.****STATEMENTS OF FINANCIAL POSITION**

	December 31		January 1
	2021	2020 (As restated – Note 2)	2020 (As restated – Note 2)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash (Notes 4 and 21)	₱92,010,744	₱58,977,547	₱122,180,606
Receivables (Notes 5, 20 and 21)	1,320,940,578	2,373,620,721	1,967,170,494
Other current assets (Notes 6 and 21)	110,291,205	168,341,004	91,577,595
<b>Total Current Assets</b>	<b>1,523,242,527</b>	<b>2,600,939,272</b>	<b>2,180,928,695</b>
<b>Noncurrent Assets</b>			
Noncurrent portion of receivables (Notes 5 and 21)	3,063,077,918	2,194,794,056	2,215,249,105
Investment properties (Note 7)	50,081,060,761	29,189,674,985	25,380,629,552
Property and equipment (Note 8)	309,716	12,053	20,089
Other noncurrent assets (Note 6)	1,835,836,322	1,114,633,940	1,034,082,386
<b>Total Noncurrent Assets</b>	<b>54,980,284,717</b>	<b>32,499,115,034</b>	<b>28,629,981,132</b>
	<b>₱56,503,527,244</b>	<b>₱35,100,054,306</b>	<b>₱30,810,909,827</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts and other payables (Notes 9 and 21)	₱530,622,799	₱513,927,478	₱274,477,842
Short-term debt (Notes 10 and 21)	890,000,000	–	–
Current portion of deposits, other liabilities (Notes 12 and 21)	735,086,847	129,399,846	166,793,502
Current portion of lease liability (Note 18)	42,967,375	34,300,129	–
Construction bonds (Note 11)	58,579,640	–	11,105,498
Income tax payable	–	54,444,350	71,241,650
<b>Total Current Liabilities</b>	<b>2,257,256,661</b>	<b>732,071,803</b>	<b>523,618,492</b>
<b>Noncurrent Liabilities</b>			
Long-term debt (Note 10)	2,957,472,367	–	–
Deposits, other liabilities, net of current portion (Notes 12 and 21)	1,290,194,773	722,693,405	600,134,138
Lease liability- net of current portion (Note 18)	1,111,013,455	837,543,814	–
Deferred tax liabilities - net (Note 19)	–	–	3,454,687,620
<b>Total Noncurrent Liabilities</b>	<b>5,358,680,595</b>	<b>1,560,237,219</b>	<b>4,054,821,758</b>
<b>Total Liabilities</b>	<b>7,615,937,256</b>	<b>2,292,309,022</b>	<b>4,578,440,250</b>
<b>Equity (Note 13)</b>			
Paid-up capital	15,762,407,800	10,929,864,050	10,451,224,050
Treasury shares	(673,299,700)	(673,299,700)	(673,299,700)
Additional paid-in capital	11,333,074,693	785,681,404	–
Retained earnings	22,465,407,195	21,765,499,530	16,454,545,227
<b>Total Equity</b>	<b>48,887,589,988</b>	<b>32,807,745,284</b>	<b>26,232,469,577</b>
	<b>₱56,503,527,244</b>	<b>₱35,100,054,306</b>	<b>₱30,810,909,827</b>

See accompanying Notes to Financial Statements.



**AREIT, INC.****STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<b>2021</b>	2020 (As restated – Note 2)	2019 (As restated – Note 2)
<b>REVENUE</b>			
Rental income (Notes 7, 14 and 18)	<b>₱2,506,910,928</b>	₱1,495,723,891	₱1,323,922,868
Dues (Notes 7 and 15)	<b>621,005,658</b>	389,381,503	301,200,669
Interest income from finance lease receivables (Notes 15 and 18)	<b>188,547,234</b>	150,814,117	46,837,607
	<b>3,316,463,820</b>	2,035,919,511	1,671,961,144
<b>NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES (Note 7)</b>			
	<b>164,502,279</b>	1,424,645,596	2,746,772,709
<b>COSTS AND EXPENSES</b>			
Direct operating expenses (Notes 7 and 17)	<b>815,866,427</b>	444,066,931	354,321,121
General and administrative expenses (Note 17)	<b>103,397,784</b>	49,474,313	14,181,546
	<b>919,264,211</b>	493,541,244	368,502,667
<b>OTHER INCOME (CHARGES) – Net</b>			
Gain under finance lease (Note 18)	<b>49,763,675</b>	–	397,139,330
Interest income (Notes 4, 16 and 20)	<b>7,208,646</b>	78,670,585	58,261,840
Interest expense and other charges (Notes 10, 12 and 17)	<b>(185,459,737)</b>	(65,419,126)	(12,562,538)
Other income (Note 16)	<b>101,034</b>	3,660,620	137,200
	<b>(128,386,382)</b>	16,912,079	442,975,832
<b>INCOME BEFORE INCOME TAX</b>	<b>2,433,315,506</b>	2,983,935,942	4,493,207,018
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)</b>	<b>48,466</b>	(3,280,878,846)	788,867,272
<b>NET INCOME</b>	<b>2,433,267,040</b>	6,264,814,788	3,704,339,746
<b>OTHER COMPREHENSIVE INCOME</b>	<b>–</b>	–	–
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱2,433,267,040</b>	₱6,264,814,788	₱3,704,339,746
<b>Basic/Diluted Earnings Per Share (Note 22)</b>	<b>₱1.64</b>	₱6.29	₱3.79

*See accompanying Notes to Financial Statements.*



**AREIT, INC.****STATEMENTS OF CHANGES IN EQUITY**

	<b>Years Ended December 31</b>		
	<b>2021</b>	2020 (As restated – Note 2)	2019 (As restated – Note 2)
<b>PAID-UP CAPITAL (Note 13)</b>			
<b>Common Shares - ₱10 par value</b>			
Balance at beginning of year	<b>₱10,929,864,050</b>	₱10,451,224,050	₱10,451,224,050
Issuance of new shares	<b>4,832,543,750</b>	478,640,000	–
Balance at end of year	<b>15,762,407,800</b>	10,929,864,050	10,451,224,050
<b>ADDITIONAL PAID-IN CAPITAL (Note 13)</b>			
Balance at beginning of year	<b>785,681,404</b>	–	–
Issuance of new shares	<b>10,583,270,809</b>	785,681,404	–
Share issuance costs	<b>(35,877,520)</b>	–	–
Balance at end of year	<b>11,333,074,693</b>	785,681,404	–
<b>TREASURY SHARES (Note 13)</b>			
Balance at beginning and end of year	<b>(673,299,700)</b>	(673,299,700)	(673,299,700)
<b>RETAINED EARNINGS (Note 13)</b>			
Balance at beginning of year	<b>21,765,499,530</b>	16,454,545,227	722,691,606
Restatement	–	–	12,988,811,544
Balance at beginning of period, as restated	<b>21,765,499,530</b>	16,454,545,227	13,711,503,150
Total comprehensive income/Net income	<b>2,433,267,040</b>	6,264,814,788	3,704,339,746
Cash dividends	<b>(1,733,359,375)</b>	(953,860,485)	(961,297,669)
Balance at end of year	<b>22,465,407,195</b>	21,765,499,530	16,454,545,227
	<b>₱48,887,589,988</b>	₱32,807,745,284	₱26,232,469,577

*See accompanying Notes to Financial Statements.*



**AREIT, INC.****STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	<b>2021</b>	2020 (As restated – Note 2)	2019 (As restated – Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱2,433,315,506</b>	₱2,983,935,942	₱4,493,207,018
Adjustments for:			
Net fair value change in investment properties (Note 7)	<b>(164,502,279)</b>	(1,424,645,596)	(2,746,772,709)
Depreciation and amortization (Notes 7, 8 and 17)	<b>42,043</b>	8,036	31,404
Interest expense (Notes 10, 12 and 17)	<b>169,820,104</b>	65,419,126	12,562,538
Gain under finance lease (Note 16 and 18)	<b>(49,763,675)</b>	–	(397,139,330)
Interest income from finance lease receivables (Notes 16 and 21)	<b>(188,547,234)</b>	(150,814,117)	(46,837,607)
Interest income (Notes 4, 16 and 20)	<b>(7,208,646)</b>	(78,670,585)	(58,261,840)
Operating income before working capital changes	<b>2,193,155,819</b>	1,395,232,806	1,256,789,474
Changes in operating assets and liabilities:			
Increase in:			
Receivables	<b>(683,376,821)</b>	(90,137,357)	(308,968,413)
Other assets	<b>(717,596,933)</b>	(157,314,963)	(5,345,676)
Increase (decrease) in:			
Accounts and other payables	<b>15,789,571</b>	280,552,617	(79,193,659)
Deposits and other liabilities	<b>1,148,320,226</b>	71,237,355	81,861,675
Construction bonds	<b>58,579,640</b>	(11,105,498)	8,367,056
Cash generated from operations	<b>2,014,871,502</b>	1,488,464,960	953,510,457
Interest received	<b>195,755,880</b>	229,484,702	105,099,447
Interest paid	<b>(81,036,681)</b>	–	–
Income tax paid	<b>(48,466)</b>	(190,606,074)	(189,868,211)
Net cash flows provided by operating activities	<b>2,129,542,235</b>	1,527,343,588	868,741,693
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in due from related parties (Notes 20 and 25)	<b>881,900,000</b>	(343,300,000)	199,000,000
Payments for additions to investment properties (Note 7)	<b>(5,019,127,301)</b>	(1,483,807,649)	(10,392,521)
Payments for additions to property and equipment (Note 8)	<b>(339,706)</b>	–	–
Net cash flows provided by (used in) investing activities	<b>(4,137,567,007)</b>	(1,827,107,649)	188,607,479
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of dividends (Note 13)	<b>(1,733,359,375)</b>	(953,860,485)	(961,297,669)
Proceeds from short-term debt (Note 10)	<b>34,379,500,000</b>	–	–
Payments of short-term debt (Note 10)	<b>(33,489,500,000)</b>	–	–
Payment of share issuance cost (Note 13)	<b>(35,877,520)</b>	–	–
Payments of lease liability (Note 18)	<b>(37,177,503)</b>	(32,796,936)	–

(Forward)



	<b>Years Ended December 31</b>		
	<b>2021</b>	2020 (As restated – Note 2)	2019 (As restated – Note 2)
Net proceeds from long-term debt	<b>₱2,957,472,367</b>	₱–	₱–
Net proceeds from issuance of shares (Notes 13 and 17)	–	1,223,218,423	–
Net cash flows provided by (used in) financing activities	<b>2,041,057,969</b>	236,561,002	(961,297,669)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>33,033,197</b>	(63,203,059)	96,051,503
<b>CASH AT BEGINNING OF YEAR</b>	<b>58,977,547</b>	122,180,606	26,129,103
<b>CASH AT END OF YEAR (Note 4)</b>	<b>₱92,010,744</b>	₱58,977,547	₱122,180,606

*See accompanying Notes to Financial Statements.*



## AREIT, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Corporate Information

AREIT, Inc., (formerly, One Dela Rosa Property Development, Inc.) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006. On September 26, 2018, the Company amended its Articles of Incorporation to engage in the business of a real estate investment trust (REIT), as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), and its implementing rules and regulations (the REIT Act). The Company was organized primarily to engage in the business, which includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income rising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned. On April 12, 2019, the Company changed its name to AyalaLand REIT, Inc., and further amended its name to AREIT, Inc. on June 28, 2019.

As of December 31, 2021, the Company is publicly-listed, 53.13%-owned by Ayala Land Inc. (ALI), 6.38%-owned by AyalaLand Offices, Inc. (ALOI), 2.48%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, 4.12%-owned by Glensworth Development, Inc. (GDI), a wholly owned subsidiary of ALOI, and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.87%-owned by Mermac, Inc., and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The Company's registered office address and principal place of business is 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company's common stock was listed in The Philippine Stock Exchange on August 13, 2020, as a Real Estate Investment Trust (REIT) entity.

As a REIT entity, the Company is entitled to the following: (a) not subject to 2% minimum corporate income tax (MCIT), (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares, (c) deductibility of dividend distribution from its taxable income, and (d) fifty percent (50%) of the standard DST rate on the transfer of real property into the Company, including the sale or transfer of any security interest thereto, provided they have complied with the requirements under Republic Act (RA) No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

The operational and administrative functions of the Company are handled by ALI before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc., and AREIT Property Managers, Inc., handle the fund manager functions and property management functions of the Company, respectively (see Note 20).

The accompanying financial statements were approved and authorized for issue by the BOD on February 24, 2022.



## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying financial statements have been prepared under the going concern assumption. The Company believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic.

### Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

### Restatement

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity. As a result, the comparative December 31, 2020 audited statement of financial position and comparative statement of comprehensive income and statement of changes in equity for years ended December 31, 2020 and 2019 were restated to reflect the effect of the voluntary change.

### Statement of Financial Position

	Ref	As previously reported December 31, 2019	Adjustment	As restated January 1, 2020
<b>Assets</b>				
Receivables	b	₱4,551,478,656	(₱369,059,057)	₱4,182,419,599
Investment properties	a	6,192,374,393	19,188,255,159	25,380,629,552
<b>Liabilities</b>				
Deferred tax liabilities – net	a, d	₱67,232,321	₱3,387,455,299	₱3,454,687,620
<b>Equity</b>				
Retained earnings	a	1,022,804,424	15,431,740,803	16,454,545,227
	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
<b>Assets</b>				
Receivables	b	₱4,984,916,013	(₱416,501,236)	₱4,568,414,777
Investment properties	a	8,303,802,471	20,885,872,514	29,189,674,985
<b>Equity</b>				
Retained earnings	a	₱1,296,128,252	₱20,469,371,278	₱21,765,499,530



Statement of Comprehensive Income

	Ref	As previously reported December 31, 2019	Adjustment	As restated December 31, 2019
Direct operating expenses	c	₱544,896,759	(₱190,575,638)	₱354,321,121
Net fair value gain in investment properties	a	-	2,746,772,709	2,746,772,709
Provision for income tax	d	294,448,184	494,419,088	788,867,272
Net income		1,261,410,487	2,442,929,259	3,704,339,746

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
Direct operating expenses	c	₱647,213,560	(₱203,146,629)	₱444,066,931
Net fair value gain in investment properties	a	-	1,424,645,596	1,424,645,596
Provision for income tax	d	106,576,453	(3,387,455,299)	(3,280,878,846)
Net income		1,227,184,312	5,037,630,475	6,264,814,788

Below are the discussions of the adjustments:

- a. Under fair value accounting, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on the “income approach” which is based on the buildings’ discounted future cash flows. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Gains and losses arising from the fair value accounting are adjusted to retained earnings as at January 1, 2020. This resulted to an increase in deferred tax liabilities.
- b. In determining the carrying amount under the fair value model, the Company does not double- count assets or liabilities that are recognized separately. The Company derecognized related accrued rental income which was previously presented under “Receivables” which resulted in a decrease in deferred tax liabilities.
- c. Depreciation expense under cost model previously recorded as part of “direct operating expenses” was reversed.
- d. Deferred taxes are recognized based on the effective income tax rate of 0% and 18% as of December 31, 2020 and January 1, 2020, respectively.

The restatements have no significant impact in the statements of cash flows for the years ended December 31, 2020 and 2019.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Company’s financial position or performance unless otherwise indicated.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.



A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

This amendment is not applicable to the Company as there are no rent concessions granted to the Company as a lessee.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments had no material impact on the financial statements of the Company.

*Deferral of Philippine Interpretations Committee Question and Answers (PIC Q&As) on accounting for Common Usage Service Area (CUSA)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions.

The Company adopted PIC Q&A 2018-12, PFRS 15 – Accounting for CUSA starting January 1, 2021 which concludes that real estate developers are generally acting as principal for CUSA. The Company adopted the change using the full retrospective method of adoption.



As a result of the adoption, the Company presented the revenue from CUSA charges at gross amounts and the related costs as part of costs and expenses which were previously presented together on a net basis as part of revenues.

The Company assessed itself (a) as principal on Buildings for CUSA charges, (b) as agent on Condominium Units for CUSA charges, and (c) as agent for electricity and water usage (see Note 15).

Shown below is the detailed comparison between current and previous presentations of revenue and expense accounts related to CUSA, and utility charges.

	2020		2019	
	Current presentation	Previous presentation	Current presentation	Previous presentation
Revenue				
Dues	₱389,381,503	₱305,087,397	₱301,200,669	₱192,320,957
Direct operating expenses				
Repairs and maintenance	(38,119,740)	—	(39,120,487)	—
Outside services	(40,912,975)	—	(63,827,195)	—
Others	(5,261,391)	—	(5,932,030)	—
	₱305,087,397	₱305,087,397	₱192,320,957	₱192,320,957

#### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



#### Current and Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on a current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Cash

Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial assets*

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at its transaction price.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion). This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

#### Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash in banks and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

#### *Financial liabilities*

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, security deposits, construction bonds, short-term and long-term debt.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.



## Derecognition of Financial Instruments

### *Financial asset*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

### Impairment of Financial Assets

The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, were there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate ECL.

For trade receivables and finance lease receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



The Company considers a financial asset in default when contractual payments are 90 days past due since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

#### Deposits and Other Liabilities

Deposits and other liabilities which includes security deposits that are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest method.

The difference between the cash received and its fair value is deferred (included in the "Deferred credits" under "Deposits and Other Liabilities" account in the statement of financial position) and amortized using the straight-line method and recognized as "Amortization of deferred credits" under the "Rental income" account in profit or loss. Accretion of discount is recorded under "Interest expense" account in profit or loss.

#### Other Assets

Other assets include input value-added tax (VAT), creditable withholding taxes, recoverable deposits and advances to contractors.

#### *Input VAT*

Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be recovered as tax credit against future income tax liability of the Company or refunded subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

#### *Deferred input VAT*

Deferred input VAT represents input VAT on purchase of capital goods exceeding ₱1 million. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

#### *Recoverable deposits*

Recoverable deposits pertain to various utility deposits. These are measured initially at fair value. After initial recognition, deposits are subsequently measured at amortized cost using the effective interest method.

#### *Advances to contractors*

Advances to contractors are carried at cost less impairment losses, if any.

#### *Creditable withholding taxes*

Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

#### Investment Properties

Investment properties and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.



Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "income approach". Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, *Revenue from Contracts with Customers*.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that other current assets and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

#### Equity

##### *Paid-up capital and Additional paid-in capital (APIC)*

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Amount of contribution in excess of par value is accounted for as APIC.



*Stock issuance costs*

Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. Costs that relate to the new stock market listing, or otherwise are not incremental costs directly attributable to issuing new shares, are charged to expenses.

*Treasury shares*

Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

*Retained earnings*

Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

Revenue Recognition

The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

*Dues*

Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

*Other income*

Other income is recognized when the related services have been rendered and the right to receive payment is established.

*Disaggregated revenue information*

The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 15).

*Allocation of transaction price to performance obligation*

Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

*Timing of revenue recognition*

Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.



Income outside the scope of PFRS 15

*Rental income*

Rental income under noncancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

No rental income is recognized when the Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (see Note 18).

*Interest income from finance lease receivables*

Interest income is recognized as it accrues using the EIR method which pertains to the receivable arising from finance lease agreement.

*Interest income*

Interest income is recognized as it accrues using the EIR method.

Costs and Expenses

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases

*The Company as lessor - operating lease*

Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

*The Company as lessor - finance lease*

A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

*The Company as lessee*

*Right-of-use asset*

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease



liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use asset are subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

#### Income Tax

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

##### *Deferred tax*

Deferred income tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.



Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

#### Segment Reporting

The Company's lease operation is its only segment. Financial information on business segment is presented in Note 23 to the financial statements.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### Events After the End of the Reporting Period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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### **3. Summary of Significant Accounting Estimates, Judgments and Assumptions**

The preparation of the accompanying financial statements in compliance with PFRSs requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates, judgments and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.



### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

#### *Assessment of the Company being effectively a 'tax-free' entity*

There are entities which are specifically exempt from income tax under the tax rules, and accordingly are not within the scope of PAS 12, *Income Taxes*. For REIT entities, while not formally designated as 'tax-free' under the tax rules, are nevertheless "income tax-free" provided that they meet certain conditions (e.g. listing status, dividend payments, etc.). A REIT entity is required to distribute at least 90% of its annual income as a dividend to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively a "income tax-free" entity.

The Company abides with the provisions of the REIT law and complies with the 90% dividend distribution. The Company has determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it is effectively an "income tax-free" entity. Accordingly, the Company did not recognize deferred taxes after its listing as a REIT entity.

#### *Determination of whether the Company is acting as a Principal or an Agent*

The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air conditioning, the Company acts as a principal because it retains the right to direct the service provider of air conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air conditioning charges.

#### *Operating lease commitments – the Company as lessor*

The Company has entered into commercial property leases on its investment property portfolios. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated useful life of the assets.

#### *Finance lease commitments – the Company as lessor*

The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building, a retail podium of The 30th Commercial Development (The 30th) building and the Vertis Mall. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of these properties to the lessee and accounts for the agreements as finance lease.

#### *Evaluation whether the acquired set of assets constitute a business*

The Company acquired additional portfolio of investment properties during the year and elected to apply the optional concentration test to determine whether the acquired assets or group of assets constitute a business. The Company has determined that the acquisition is a purchase of asset as the acquisition passed the concentration test due to: (a) the building is considered a single identifiable asset (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset.



See Note 7 for details of the acquired properties in 2021 from various parties.

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Provision for expected credit losses of trade receivables*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with the impact of current COVID environment and other forward-looking information, as applicable. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances including COVID impact and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying value of the Company's trade receivables amounted to ₱4,384.02 million and ₱4,568.41 million as of December 31, 2021 and 2020 respectively, net of allowance for credit losses amounting to ₱37.46 million and ₱14.92 million as of December 31, 2021 and 2020, respectively (see Note 5).

#### *Evaluating impairment of nonfinancial assets carried at costs*

The Company regularly reviews its nonfinancial asset carried at costs for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends including the impact of COVID. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

In 2021, the Company recognized allowance for probable loss on CWT amounting to ₱33.00 million (see Notes 6 and 17).

The carrying values of the Company's nonfinancial assets follow:

	<b>2021</b>	<b>2020</b>
Input VAT (Note 6)	<b>₱959,608,313</b>	₱544,655,980
Deferred input VAT (Note 6)	<b>885,255,771</b>	614,857,354
Creditable withholding taxes (Note 6)	<b>85,587,338</b>	112,971,793
	<b>₱1,930,451,422</b>	₱1,272,485,127



*Valuation of investment properties held at fair value*

The Company makes judgments in respect of the fair value of investment properties. The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, capital expenditure requirements, and discount rates that reflect current market conditions and current or recent property investment prices. The property valuations have been prepared based on the information that is available.

Fair value of investment properties amounted to ₱50,081.06 million and ₱29,189.67 million as of December 31, 2021 and 2020, respectively. Net fair value change in investment properties recognized in profit or loss amounted to ₱164.50 million, ₱1,424.65 million and ₱2,746.77 million for the years ended December 31, 2021, 2020, and 2019 respectively (see Note 7).

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4. **Cash**

This account consists of:

	2021	2020
Cash on hand	<b>₱42,500</b>	₱22,500
Cash in banks	<b>91,968,244</b>	58,955,047
	<b>₱92,010,744</b>	₱58,977,547

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.85% to 0.35% in 2021 and 2020. Interest income earned from cash in banks amounted to ₱0.24 million, ₱0.36 million and ₱0.31 million in 2021, 2020 and 2019, respectively (see Note 16).

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5. **Receivables**

This account consists of:

	2021	2020 (As restated – Note 2)
Finance lease receivable (Notes 18, 20 and 21)	<b>₱3,285,820,422</b>	₱2,242,581,055
Due from related parties (Note 20)	<b>914,114,901</b>	2,242,543,812
Trade receivables – billed	<b>220,680,256</b>	97,316,019
Other receivables	<b>858,963</b>	897,650
	<b>4,421,474,542</b>	4,583,338,536
Less allowance for credit losses	<b>37,456,046</b>	14,923,759
	<b>4,384,018,496</b>	4,568,414,777
Less noncurrent portion of finance lease receivable	<b>3,063,077,918</b>	2,194,794,056
	<b>₱1,320,940,578</b>	₱2,373,620,721

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are noninterest-bearing and are generally collectible on 30-day term.

Other receivables pertain to noninterest-bearing advances to employees which are subject to liquidation upon completion of the business transaction.



The movements in allowance for credit losses follows:

	2021	2020
Balance at beginning of year	P14,923,759	P7,664,917
Provision (Note 17 and 21)	22,532,287	7,258,842
Balance at end of year	<b>P37,456,046</b>	P14,923,759

## 6. Other Assets

### Other Current Assets

This account consists of:

	2021	2020
Input VAT	P97,794,584	P158,306,544
Recoverable deposits	12,496,621	10,034,460
	<b>P110,291,205</b>	P168,341,004

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for refund amounting to P6.39 million which is awaiting approval from the BIR.

Recoverable deposits pertain to various utility deposits.

### Other Noncurrent Assets

This account consists of:

	2021	2020
Input VAT	P885,255,771	P386,349,436
Deferred input VAT	861,813,729	614,857,354
Creditable withholding taxes	118,587,338	112,971,793
Advances to contractors	3,179,484	455,357
	<b>1,868,836,322</b>	1,114,633,940
Less allowance for possible losses (Note 17)	33,000,000	-
	<b>P1,835,836,322</b>	P1,114,633,940

The remaining balance of input VAT and deferred input VAT are recoverable in future periods.

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding P1.00 million per transaction which is available for offset against the Company's future output VAT

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due. In 2021, the Company recognized allowance for probable loss on CWT amounting to P33.00 million (see Note 17).

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.



## 7. Investment Properties

	2021	2020 December 31 (As restated – Note 2)
Beginning of the period	<b>₱29,189,674,985</b>	₱25,380,629,552
Acquisitions	<b>21,577,487,178</b>	2,336,957,658
Property under finance lease	<b>(886,240,458)</b>	–
Gain on fair value adjustment	<b>200,139,056</b>	1,472,087,775
	<b>₱50,081,060,761</b>	₱29,189,674,985

On January 5, 2021, the Company entered into a Deed of Absolute Sale with Technopark Land, Inc (TLI), a subsidiary of Ayala Corporation (AC), to acquire 98,179 square meters (sqm) of land for ₱987.98 million, exclusive of VAT. Currently, the acquired parcels of land are being leased out to Integrated Micro-Electronics, Inc. (IMI) for a period of 8 years starting from January 1, 2020 to December 31, 2027. The subject properties are the four (4) parcels of land located at Barrio Biñan, Laguna.

On January 15, 2021, the Company entered into a Deed of Sale with ALI for the acquisition of The 30th for ₱4.56 billion (VAT exclusive). ALI has an existing land lease contract with MBS Development Corporation (MBS) which will expire on September 1, 2056 and such contract of lease was assigned to the Company as part of the sale of the building. Simultaneous to the acquisition, the Company and North Eastern Commercial Corp. (NECC), a wholly-owned subsidiary of ALI under the Ayala Malls brand, entered into a lease agreement for the retail podium of The 30th that is payable on monthly guaranteed lease for a period of 36 years. The retail podium is operated by NECC. NECC will pay a monthly guaranteed building lease to the Company for a period of 36 years, in line with the land lease term of the property. The Company derecognized the portion of the property under finance lease.

On October 7, 2021, SEC approved the property-for-share-swap transaction of the Company. This were acquired from ALI, GDI and WCVI and involves six commercial properties namely:

- Vertis North Commercial Development – A mixed-use development located at the heart of Quezon City. It is composed of three (3) office towers with a total GLA of 125,507.39 sq. m. and a retail podium with a GLA of 39,305.76 sq.m.
- Evotech One and Two – Evotech One and Two consists of two (2) office buildings situated in Lakeside Evozone, Nuvali, Laguna. The property caters to the special demands of IT and BPO companies looking to establish themselves in the south of Metro Manila.
- Bacolod Capitol Corporate Center – A five-storey PEZA-accredited corporate center in Bacolod City comprised of 11,313.14 sq. m. of leasable office space.
- Ayala Northpoint Technohub – A two-storey PEZA-accredited technohub in Bacolod City with a GLA of 4,653.50 sq. m. of office space.
- BPI-Philam Life Makati – BPI Philam Life Makati Building is a 32-storey office tower at the intersection of Ayala Avenue and Gil Puyat Avenue. The property-for-share swap transaction covers three (3) condominium office units of the property.
- BPI-Philam Life Alabang – BPI Philam Life Alabang is a corporate center in Madrigal Business Park, Alabang, Muntinlupa City. The Building is a 14-storey corporate center office that caters to all employees, primarily corporate professionals. The property-for-share swap transaction covers six (6) condominium office units of the property.



On September 15, 2020, the Company and APRC executed a deed of absolute sale wherein APRC sells, conveys, transfers, assigns and delivers to the Company a 12- storey building, inclusive of two (2) basement parking levels and located at Inez Villa St. Cebu I.T Park, Brgy. Apas Cebu City, for a consideration amounting to ₱1,450.00 million.

As of December 31, 2021, the investment properties are composed of seven (7) stand-alone buildings, three (3) mixed-used properties, nine (9) condominium office units, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange located in Makati City, Teleperformance Cebu located at Cebu I.T. Park, Cebu City, Evotech One and Two consisting of two (2) office buildings situated in Laguna, Bacolod Capitol Corporate Center and Ayala Northpoint Technohub located in Bacolod City. The mixed-used properties are Ayala North Exchange, The 30th Commercial Development, and Vertis North Commercial Development. Ayala North Exchange is located along Ayala Avenue, Makati composed of two office towers, a retail podium and serviced apartments; The 30th Commercial Development features a 19-storey office building complemented by a four-storey retail podium; while Vertis North Commercial Development is a mixed-use development composed of three (3) office towers and a retail podium located in Quezon City. The condominium office units are BPI-Philam Life Makati composed of three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, and BPI-Philam Life Alabang composed of six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City. The four land parcels in Laguna Technopark are being leased to IMI.

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and independent and professionally qualified appraiser on June 30, 2021 except for Teleperformance Cebu building, which was appraised on December 31, 2021.

The fair value of the Company's investment properties was determined using the Income Approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value. The fair value is sensitive to the unobservable inputs of lease income growth rate and discount rate. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value measurement while a change in the assumption used for the lease income growth rate is accompanied by a directionally similar change in the Company's fair value of investment properties.

Teleperformance Cebu building was appraised on December 31, 2021 while the fair value of the other investment properties as of December 31, 2021 were updated from the June 30, 2021 appraisal report to reflect changes in the assumptions as of December 31, 2021.

The following table provides the fair value hierarchy of the Company's investment properties:

**December 31, 2021**

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	June 30, 2021 (Adjusted to December 31, 2021)	₱47,481,880,761	₱-	₱-	₱47,481,880,761
Teleperformance Cebu	December 31, 2021	2,599,180,000	-	-	2,599,180,000
<b>Total</b>		<b>₱50,081,060,761</b>	<b>₱-</b>	<b>₱-</b>	<b>₱50,081,060,761</b>

**December 31, 2020**

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	December 31, 2020	₱29,189,674,985	₱-	₱-	₱29,189,674,985



The components of the net fair value change in investment properties as follows:

	2021	2020	2019
Increase in fair value of investment properties	P200,139,056	P1,479,137,317	P2,802,073,788
Straight-line adjustment	(35,636,777)	(47,442,179)	(46,837,607)
Lease commissions	-	(7,049,542)	(8,463,472)
	<b>P164,502,279</b>	<b>P1,424,645,596</b>	<b>P2,746,772,709</b>

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2021	2020	2019
Rental income (Note 14)	P2,506,910,928	P1,495,723,891	P1,323,922,868
Dues (Note 15)	621,005,658	389,381,503	301,200,669
Direct operating expenses (Note 17)	815,866,427	444,066,931	354,321,121

There are no items of investment properties that are pledged as security to liabilities as of December 31, 2021 and 2020.

There are no contractual purchase commitments for investment properties as of December 31, 2021 and 2020.

## 8. Property and Equipment

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	2021	2020
<b>Cost</b>		
Balance at beginning and end of year	P1,888,872	P1,888,872
Additions	339,706	-
Balance at end of year	<b>2,228,578</b>	1,888,872
<b>Accumulated Depreciation</b>		
Balance at beginning of year	1,876,819	1,868,783
Depreciation (Note 17)	42,043	8,036
Balance at end of year	<b>1,918,862</b>	1,876,819
<b>Net Book Value</b>	<b>P309,716</b>	<b>P12,053</b>

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2021 and 2020.

There are no contractual purchase commitments for property and equipment as of December 31, 2021 and 2020.



## 9. Accounts and Other Payables

This account consists of:

	2021	2020
Due to related parties (Note 21)	<b>₱299,429,900</b>	₱405,111,433
Accounts payable	<b>99,045,078</b>	26,949,888
Accrued expenses		
Light and water	<b>22,492,161</b>	10,770,650
Rent	<b>13,413,162</b>	12,654,660
Repairs and maintenance	<b>7,546,168</b>	14,331,615
Others	<b>23,971,364</b>	18,838,974
Taxes payable	<b>61,777,639</b>	24,485,058
Retention payable	<b>2,041,577</b>	785,200
Interest payable	<b>905,750</b>	-
	<b>₱530,622,799</b>	₱513,927,478

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15- to 60-day terms.

Accrued expenses others consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance and representation. These are noninterest-bearing.

Taxes payable consist of amounts payable to taxing authority pertaining to expanded withholding taxes.

Retention payable pertains to the portion of contractor's progress billings withheld by the Company which will be released after the satisfactory completion of the contractor's work. The retention payable serves as a security from the contractor should there be defects in the project. These are noninterest-bearing and are normally settled upon completion of the relevant contract.

## 10. Short-term Debt, Interest Payable and Long-term Debt

The Company obtained short-term loans from various local banks during the period.

The outstanding short-term loans payable amounting to ₱890.00 million as of December 31, 2021 pertains to unsecured and interest bearing 30-day loans with interest rate of 1.95%.

Interest expense recognized in the statements of comprehensive income for the year ended December 31, 2021 amounted ₱81.94 million (see Note 17). The remaining unpaid interest amounted to ₱0.91 million as of December 31, 2021.

### *Philippine Peso 3-year bonds due 2023*

On December 28, 2021, the Company issued a total of ₱3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under the Company's ₱15.00 billion Debt Securities Program registered with the SEC and the first REIT in the Philippines to list a bond issued to public investors. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.



The loan agreements contain the following restrictions: material changes in nature of business; maintenance of aggregate leverage limit; payment of dividends and additional loans maturing beyond a year which will result to non-compliance of the required aggregate leverage limit; merger or consolidation where the Company is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Company as of December 31, 2021.

Debt issue costs amounted to ₱42.70 million in 2021. Amortization amounted to ₱0.18 million in 2021 and included under "Other charges" (see Note 17).

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## 11. Construction Bonds

Construction bonds represent cash bonds to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein by the lessee. The bond will be refunded after full completion of the construction, renovation or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to ₱58.58 million as of December 31, 2021 and nil as of December 31, 2020.

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## 12. Deposits and Other Liabilities

This account consists of:

	2021	2020
Advance rentals	₱999,233,922	₱406,952,127
Security deposits (Note 21)	942,749,081	383,208,715
Deferred credits	83,298,617	61,932,409
	<b>2,025,281,620</b>	852,093,251
Less current portion	735,086,847	129,399,846
	<b>₱1,290,194,773</b>	₱722,693,405

The current portion of these accounts follows:

	2021	2020
Security deposits (Note 21)	₱436,882,890	₱83,737,432
Advance rentals	286,265,507	45,536,484
Deferred credits	11,938,450	125,930
	<b>₱735,086,847</b>	₱129,399,846

### *Advance rentals*

Advance rentals from lessees represent cash received in advance representing months' rent which will be applied to the last three (3) months' rentals on the related lease contracts.

### *Security deposits*

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term.



The rollforward of security deposits follows:

	2021	2020
<b>Gross Amount</b>		
Balance at beginning of year	P460,762,969	P394,737,664
Additions	582,212,828	66,025,305
Refunds	(3,708,331)	-
Balance at end of year	1,039,267,466	460,762,969
<b>Unamortized Discount</b>		
Balance at beginning of year	77,554,254	80,290,250
Additions	43,832,274	11,192,260
Accretion (Note 17)	(24,868,143)	(13,928,256)
Balance at end of year	96,518,385	77,554,254
<b>Net Amount</b>	<b>P942,749,081</b>	<b>P383,208,715</b>

*Deferred credits*

Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward of deferred credits follows:

	2021	2020
Balance at beginning of year	P61,932,409	P66,465,881
Additions	43,832,274	11,192,260
Amortization (Note 14)	(22,466,066)	(15,725,732)
Balance at end of year	83,298,617	61,932,409
Less current portion	11,938,450	125,930
	<b>P71,360,167</b>	<b>P61,806,479</b>

### 13. Equity

Capital stock

The details of the Company's capital stock as of December 31, 2021 and 2020 follow:

	2021	2020
Authorized	2,950,000,000	1,174,000,000
Par value per share	P10.00	P10.00
Issued and outstanding shares	1,508,910,810	1,025,656,435

The changes in the number of common shares follow:

	2021	2020	2019
Authorized number of shares			
Balance at beginning of year at P10 par value	1,174,000,000	1,174,000,000	1,174,000,000
Increase in authorized capital stock at P10 par value	1,776,000,000	-	-
Balance at end of year	<b>2,950,000,000</b>	<b>1,174,000,000</b>	<b>1,174,000,000</b>

(Forward)



	2021	2020	2019
<b>Issued shares</b>			
Balance at beginning of year	<b>1,092,986,405</b>	1,045,122,405	1,045,122,405
Issuance of new shares	<b>483,254,375</b>	47,864,000	–
<b>Balance at end of year</b>	<b>1,576,240,780</b>	1,092,986,405	1,045,122,405
<b>Treasury shares</b>			
Balance at beginning and end of year	<b>(67,329,970)</b>	(67,329,970)	(67,329,970)
<b>Outstanding</b>	<b>1,508,910,810</b>	1,025,656,435	977,792,435

On June 23, 2020, the Company's BOD approved the offer and sale of 47,864,000 common shares out of the unissued portions of the authorized capital stock for initial public offering at an offer price of ₱27 per share.

On October 7, 2021, the SEC's approved the increase in authorized capital stock of 1,776,000,000 common shares with a par value of ₱10 per share and approved subscriptions of ALI, WCVI and GDI of shares in exchange for the identified properties for 483,254,375 common shares with an exchange price of ₱32 per share.

#### Initial Public Offering (IPO)

On July 10, 2020, the SEC rendered effective the Company's REIT Plan and the registration of its 1,092,986,405 common shares.

On July 15, 2020, the Philippine Stock Exchange, Inc. (PSE) approved the application of the Company for the initial listing of its 1,092,986,405 common shares under the Main Board of the PSE, to cover the Company's IPO.

The Company was listed on the Main Board of the PSE on August 13, 2020.

#### Additional Paid-in Capital (APIC)

In 2020, the Company recorded APIC amounting to ₱785.68 million, net of transaction costs. The Company incurred transaction costs incidental to the IPO that is directly attributable to the issuance or subscription of new shares amounting to ₱28.01 million in 2020.

In 2021, the Company recorded APIC amounting to ₱10,583.27 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to ₱48.33 million in 2021.

#### Retained Earnings

On April 3, 2019, the Company's BOD approved the declaration of cash dividends of ₱0.98 per share or an aggregate amount of ₱961.30 million to stockholders of record as of the same date. These are paid in 2019.

On August 17, 2020, the Company's BOD approved the declaration of cash dividends for the first and second quarter of 2020, of ₱0.28 and ₱0.31 per outstanding common share, respectively, to stockholders on record date as of September 2, 2020 amounting ₱605.14 million. These are paid on September 15, 2020.

On November 17, 2020, the Company's BOD approved the declaration of cash dividends for third quarter of 2020, of ₱0.34 per outstanding common share to stockholders on record date as of December 7, 2020 amounting to ₱348.72 million. The cash dividend was paid on December 17, 2020 to stockholders.



On February 24, 2021, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2020 amounting to ₱0.39 per outstanding common share to stockholders on the record date as of March 15, 2021 amounting to ₱400.01 million. The cash dividend was paid on March 25, 2021.

On May 26, 2021, the Company's BOD approved the declaration of cash dividends for the first quarter of 2021, amounting to ₱0.42 per outstanding common share to stockholders on record as of June 11, 2021, amounting to ₱430.78 million. The cash dividend was paid on June 25, 2021.

On August 12, 2021, the Company's BOD approved the declaration of cash dividends for the second quarter of 2021, amounting to ₱0.44 per outstanding common share to stockholders on record as of August 26, 2021, amounting to ₱451.29 million. The cash dividend was paid on September 10, 2021, to stockholders.

On September 22, 2021, the Company's BOD approved the declaration of cash dividends for the third quarter of 2021, amounting to ₱0.44 per outstanding common share to stockholders on record as of October 06, 2021, amounting to ₱451.29 million. The cash dividend was paid on October 22, 2021, to stockholders.

#### Capital Management

The primary objectives of the Company's capital management policies are to afford the financial flexibility to support its business initiatives while providing a sufficient cushion to absorb cyclical industry risks and to maximize stakeholder value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions.

The Company's sources of capital as of December 31, 2021 and 2020 follow:

	2021	2020 December 31 (As restated – Note 2)	2020 January 1 (As restated – Note 2)
Paid-up capital	<b>₱15,762,407,800</b>	₱10,929,864,050	₱10,451,224,050
Additional paid-in capital	<b>11,333,074,693</b>	785,681,404	–
Treasury shares	<b>(673,299,700)</b>	(673,299,700)	(673,299,700)
Retained earnings	<b>22,465,407,195</b>	21,765,499,530	16,454,545,227
	<b>₱48,887,589,988</b>	₱32,807,745,284	₱26,232,469,577

The Company is subject to externally imposed capital requirements from its debt covenants and the requirement of the REIT law section 8.10: *Aggregate Leverage Limit* (see Note 10). Other than this, there are no changes made in the Company's capital management objectives, policies or processes in 2021, 2020 and 2019.

#### 14. Rental Income

This account consists of:

	2021	2020	2019
Office and retail (Note 18)	<b>₱2,375,942,463</b>	₱1,407,588,642	₱1,247,556,282
Parking fees (Note 18)	<b>108,502,399</b>	72,409,517	58,112,083
Amortization of deferred credits (Note 12)	<b>22,466,066</b>	15,725,732	18,254,503
	<b>₱2,506,910,928</b>	₱1,495,723,891	₱1,323,922,868



In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived a certain percentage in their common area usage expenses.

#### 15. Dues and Interest Income from Finance Lease Receivables

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. Set out below is the disaggregation of the Company's revenue from non-lease component:

	2021	2020	2019
Dues:			
Common area charges	<b>₱535,376,072</b>	₱310,003,926	₱270,941,343
Utilities dues	<b>85,629,586</b>	79,377,577	30,259,326
	<b>₱621,005,658</b>	₱389,381,503	₱301,200,669

#### *Interest income from finance lease receivables*

This account pertains to accretion of finance lease receivable amounting to ₱188.55 million, ₱150.81 million and ₱46.84 million in 2021, 2020 and 2019, respectively, (see Note 18).

#### 16. Interest and Other Income

##### Interest Income

This account consists of:

	2021	2020	2019
Interest income from intercompany loans (Note 21)	<b>₱6,966,317</b>	₱78,306,379	₱57,948,495
Interest income from cash in banks (Note 4)	<b>242,329</b>	364,206	313,345
	<b>₱7,208,646</b>	₱78,670,585	₱-

##### Other Income

This account pertains to income earned from interest and penalties arising from late payments amounting to ₱0.10 million, ₱3.66 million and ₱0.14 million in 2021, 2020 and 2019, respectively.

#### 17. Costs and Expenses and Other Charges

##### Direct Operating Expenses

This account consists of:

	2021	2020	2019
		(As restated)	(As restated)
Management fees (Note 20)	<b>₱267,294,759</b>	₱97,850,770	₱35,543,753
Taxes and licenses	<b>204,801,681</b>	139,690,380	101,510,662
Land lease (Notes 18 and 20)	<b>168,962,930</b>	110,552,423	97,521,679
Repairs and maintenance	<b>83,328,757</b>	38,119,740	39,120,487
Outside services	<b>64,167,146</b>	40,912,975	63,827,195

(Forward)



	2021	2020 (As restated)	2019 (As restated)
Insurance	<b>₱9,617,107</b>	₱8,249,699	₱6,125,499
Miscellaneous	<b>5,643,292</b>	5,261,390	5,932,031
Others	<b>12,050,755</b>	3,429,554	4,739,815
	<b>₱815,866,427</b>	₱444,066,931	₱354,321,121

#### General and Administrative Expenses

This account consists of:

	2021	2020	2019
Provision for probable losses (Note 6)	<b>₱33,000,000</b>	₱-	₱-
Taxes and licenses	<b>31,437,964</b>	26,806,570	1,769,095
Provision for doubtful accounts (Note 5)	<b>22,532,287</b>	7,258,842	-
System costs (Note 20)	<b>5,359,691</b>	-	149,500
Professional fees	<b>4,461,905</b>	6,529,287	11,025,773
Depreciation (Note 8)	<b>42,043</b>	8,036	31,404
Others	<b>6,563,894</b>	8,871,578	1,205,774
	<b>₱103,397,784</b>	₱49,474,313	₱14,181,546

#### Interest Expense

This account consists of:

	2021	2020	2019
Interest expense from loans (Note 10)	<b>₱81,942,431</b>	₱-	₱-
Interest expense on lease liabilities (Note 18)	<b>63,009,530</b>	51,490,870	-
Accretion of security deposit (Note 12)	<b>24,868,143</b>	13,928,256	12,562,538
	<b>₱169,820,104</b>	₱65,419,126	₱12,562,538

#### Other Charges

This account consists of the amortization of bond issue cost amounting to ₱0.18 million and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

### 18. **Agreements and Lease Commitments**

#### *The Company as lessor - operating lease*

The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These noncancellable leases are subject to 5% to 10% annual escalation rate.

The future minimum rentals receivable under noncancellable operating leases are as follows:

	2021	2020	2019
Within one year	<b>₱2,258,171,359</b>	₱1,580,530,864	₱1,247,102,277
After one year but not more than five years	<b>5,264,621,359</b>	5,332,899,560	5,111,571,372
More than five years	<b>418,483,308</b>	492,474,823	341,483,942
	<b>₱7,941,276,026</b>	₱7,405,905,247	₱6,700,157,591



Total rental income amounted to ₱2,506.91 million, ₱1,495.72 million and ₱1,323.92 million in 2021, 2020 and 2019, respectively (see Note 14). Rental income arising from variable rent based on gross sales amounted to ₱5.65 million, ₱5.98 million, and ₱2.12 million in 2021, 2020 and 2019, respectively.

In 2021 and 2020, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱48.07 million and ₱37.59 million, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2021 and 2020.

*The Company as lessor - finance lease*

In 2021, the Company entered into building lease agreement with NECC for a term of 36 years. The agreement pertains to the lease of a retail podium of The 30th. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on January 1, 2021. The lease generally provides for rates based on higher between the a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

On October 1, 2021, the Company entered into building lease agreement with NECC for a term of 36 years. The agreement pertains to the lease of Vertis North Commercial Development Mall. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on October 1, 2021. The lease generally provides for rates based on higher between the a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 20). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2021	2020	2019
Within one year	<b>₱236,172,830</b>	₱189,728,000	₱203,280,000
More than one year and not more than five years	<b>943,485,358</b>	650,496,000	650,496,000
More than 5 years	<b>8,465,334,764</b>	5,390,029,750	5,552,653,750
Total undiscounted lease payments and unguaranteed residual value	<b>9,644,992,952</b>	6,230,253,750	6,406,429,750
Less: unearned finance income	<b>6,359,172,530</b>	3,987,672,695	4,138,497,813
Net investment in the lease	<b>₱3,285,820,422</b>	₱2,242,581,055	₱2,267,931,937

The net investment in the lease with MNHVI and NECC consists of the present value of minimum lease payments amounting to ₱2,221.09 million and ₱936.00 million, respectively. The Company derecognized the portion of investment property under finance lease amounting to ₱886.24 million which resulted in a gain under finance lease amounting to ₱49.76 million and ₱397.14 million in 2021 and 2019 (nil in 2020, see Note 7). The Company also recognized interest income earned amounting to ₱188.55 million, ₱150.81 million and ₱46.84 million for 2021, 2020 and 2019, respectively (see Note 16).

The Company remains to be the legal owner of the portion of ANE building, retail podium of The 30th and Vertis North Commercial Development Mall under finance lease.



*The Company as lessee*

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 20). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

On October 5, 2018, ALI assigned to the Company the land lease agreement with HLC with a lease term of 40 years. The agreement pertains to land lease of ANE properties. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The agreement pertains to land and building lease of MECC. The rent is payable at a fixed monthly rate of ₱2.73 million, subject to 5% annual escalation rate.

Effective October 1, 2021, GDI assigned to the Company the land lease agreement with Ceci Realty, Inc. ("CECI") with a lease term of 36 years. The agreement pertains to land lease of One and Two Evotech properties. The rent is payable at a fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.

Effective October 1, 2021, WCVI assigned to the Company the land lease agreement with Province of Negros Occidental with a lease term of 50 years. The agreement pertains to land lease of Bacolod Capitol property. The rent is payable at a fixed monthly rate, subject to an escalation rate ten percent (10%) every five (5) years.

The total cash outflow related to leases amounted to ₱206.14 million, ₱143.35 million and ₱97.52 million in 2021, 2020 and 2019, respectively. This is composed of interest payments amounting to ₱37.18 million and ₱32.80 million in 2021 and 2020 (nil in 2019) for lease contracts where the Company recognized lease liability and variable lease payments amounting to ₱168.96 million, ₱110.55 million and ₱97.52 million in 2021, 2020 and 2019, respectively. No payment was attributed to principal of lease liability in 2021 and 2020.

The rollforward analysis of lease liability follows:

	2021	2020
Balance at beginning the period	₱871,843,943	₱-
Addition	256,304,860	853,150,009
Interest expense (Note 17)	63,009,530	51,490,870
Payment	(37,177,503)	(32,796,936)
Balance at the end of the period	1,153,980,830	871,843,943
Current lease liability	42,967,375	34,300,129
Noncurrent lease liabilities	₱1,111,013,455	₱837,543,814

The following are the amounts recognized in the statements of comprehensive income from the above lease agreements as lessee:

	2021	2020	2019
Rent expense - variable lease payments (Note 17)	₱168,962,930	₱110,552,423	₱97,521,679
Accretion of interest expense (Note 17)	63,009,530	51,490,870	-
Total amounts recognized in the statements of comprehensive income	₱231,972,460	₱162,043,293	₱97,521,679



Right-of-use asset and lease liability recognized during the period pertains to new lease agreement for which lease payments are fixed. Prior to December 31, 2019, all lease contracts where the Company is a lessee have lease payment terms that is purely variable linked to future performance or use of the underlying asset, therefore no right-of-use asset is recognized. The right-of-use asset is included as part of investment properties.

Effective October 1, 2021, NECC assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Vertis Tower 1-3 and Mall building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

Effective October 1, 2021, WVCV assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Bacolod BPO property building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On October 1, 2020, APRC assigned to the Company its 31-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Teleperformance Cebu building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is not material.

## 19. Income Tax

Provision for (benefit from) income tax consists of:

	2021	2020	2019
Current	₱-	₱173,735,934	₱202,459,244
Deferred	-	(3,454,687,621)	586,345,359
Final	<b>48,466</b>	72,841	62,669
	<b>₱48,466</b>	<b>(3,280,878,846)</b>	<b>₱788,867,272</b>

The current provision for income tax represents RCIT in 2020 and 2019. Prior to the Company's listing date on August 13, 2020, the Company recognized provision for income tax amounting to ₱173.74 million. The Company started to avail of its tax incentive as a REIT after its listing.

In 2021, 2020, and 2019 the Company availed of the optional standard deduction (OSD).

As of December 31, 2021 and 2020, deferred tax assets and liabilities are recognized based on the effective income tax rate of 0% under REIT law.

The Company has incurred NOLCO in the taxable years 2021 and 2020 which can be claimed as deduction from the regular income tax for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2021	₱688,819,663	₱-	₱688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	<b>₱1,170,102,680</b>	<b>₱-</b>	<b>₱1,170,102,680</b>	



The reconciliation between the statutory income tax rate to the effective income tax rate shown in the statements of comprehensive income follows:

	2021	2020	2019
Statutory income tax rate	25.00%	30.00%	30.00%
Add (deduct) tax effect of:			
Nondeductible expenses	18.59	0.32	0.16
Nontaxable income	(0.93)	(0.36)	(4.17)
Deductible expenses due to option to use OSD	(8.05)	(9.47)	(8.43)
Movement in deferred taxes	-	3.26	-
Unrecognized deferred taxes	-	(108.61)	-
Deductible dividends	(34.60)	(25.09)	-
Effective income tax rate	0%	(109.95%)	17.56%

## 20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

### Terms and Conditions of Transactions with Related Parties

The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances and development, management, marketing and leasing and administrative service agreements. These are based on terms agreed by the parties.

Outstanding balances at yearend are unsecured, noninterest-bearing and settlement occurs in cash, unless otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables.

### Material related party transactions ("RPT")

This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Company's total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial year:

Category	December 31, 2021			
	Volume	Outstanding Balance	Terms	Conditions
<b>Finance lease receivable</b>				
Makati North Hotel Ventures, Inc. (i)	P162,624,000	P2,312,655,616	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
North Eastern Commercial Corp. (j)	973,164,806	973,164,806	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
<b>Due from related parties</b>				
Parent Company				
Ayala Land, Inc. (a and b)	362,986,377	290,385,878	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment

(Forward)



December 31, 2021				
Category	Volume	Outstanding Balance	Terms	Conditions
<b>Affiliates*</b>				
Cebu District Property Enterprise, Inc. (b)	₱45,097,500	₱45,097,500	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	390,085,003	3,700	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	116,453,869	8,768,252	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	116,678,221	2,250,258	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	67,002,587	1,246,956	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	53,040,056	4,363,618	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	76,648,262	1,004,074	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,452,637	3,167,767	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,243,886	408,479	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	39,220,982	5,687,206	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,661,006	1,661,006	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	25,841,449	537,083	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	24,950,003	657,962	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	3,768,013	3,768,013	Interest-bearing; On demand	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)	337,982,540	337,982,540	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	11,078,757	11,078,757	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (i)	11,388,146	19,993,396	Noninterest-bearing; On demand	Unsecured; No impairment
North Eastern Commercial Corp. (j)	2,952,040	2,952,040	Noninterest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,291,375	61,579	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	35,622,688	35,622,688	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	1,945,589	2,464,492	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	84,119,559	84,119,560	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	9,838,850	9,838,850	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	921,869	921,869	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	-	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	-	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	-	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	1,873,562	1,755,974	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	38,116,832	38,116,832	Interest-bearing; On demand	Unsecured; No impairment
North Triangle Depot Commercial Corp (b)	985	985	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	-	150	Interest-bearing; On demand	Unsecured; No impairment
		<b>₱4,199,935,323</b>		



December 31, 2021				
Category	Volume	Outstanding Balance	Terms	Conditions
<b>Due to related parties</b>				
<b>Parent Company</b>				
Ayala Land Inc. (a)	₱265,232,671	₱47,566,230	Noninterest-bearing, due and demandable	Unsecured
<b>Affiliates*</b>				
AREIT Fund Managers, Inc. (l)	135,334,155	16,890,957	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (m)	103,783,954	132,382,074	Noninterest-bearing; On demand	Unsecured
North Eastern Commercial Corp. (j)	56,541,580	56,541,580	Noninterest-bearing; On demand	Unsecured
ALO Prime Realty Corporation (n)			Noninterest-bearing; On demand	Unsecured
	3,578,088	3,578,088		
AyalaLand Offices, Inc. (h)	4,165,217	4,165,217	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	28,176,650	12,294,883	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	120,647,226	6,013,296	Noninterest-bearing; On demand	Unsecured
CECI Realty Corp. (o)			Noninterest-bearing; On demand	Unsecured
	9,942,712	9,942,712		
Makati Development Corp. (e)			Noninterest-bearing; On demand	Unsecured
	-	2,019,459		
Manila Water Company, Inc. (k)	2,051,435	2,051,435	Noninterest-bearing; On demand	Unsecured
Westview Commercial Ventures Corp. (p)	4,728,703	4,728,703	Noninterest-bearing; On demand	Unsecured
Others**			Interest-bearing and noninterest-bearing; On demand	Unsecured
	1,255,266	1,255,266		
		<b>₱299,429,900</b>		

\*Entities under common control

\*\*Entities below ₱2.00 million

December 31, 2020				
Category	Volume	Outstanding Balance	Terms	Conditions
<b>Finance lease receivable</b>				
Makati North Hotel Ventures, Inc. (k)	₱162,624,000	₱2,242,581,055	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
<b>Due from related parties</b>				
<b>Parent Company</b>				
Ayala Land, Inc. (a and b)	213,486,694	704,987,832	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
<b>Affiliates*</b>				
Central Block Developers, Inc. (b)	274,478,804	390,088,703	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	125,222,121	205,762,016	Interest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	121,237,212	121,237,212	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	118,928,479	118,928,479	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	68,493,570	117,088,223	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	57,403,674	88,744,234	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	77,652,336	77,652,336	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,900,715	59,689,408	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,641,856	52,641,856	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	44,908,188	50,596,462	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,622,649	42,812,127	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	26,378,532	26,479,453	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	25,607,965	25,607,965	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	24,393,442	24,393,442	Interest-bearing; On demand	Unsecured; No impairment

(Forward)



December 31, 2020				
Category	Volume	Outstanding Balance	Terms	Conditions
Bay City Commercial Ventures Corp. (b)	₱22,539,460	₱22,539,460	Interest-bearing; On demand	Unsecured; No impairment
Leisure and Allied Industries Phils. Inc. (b)	20,050,000	20,050,000	Interest-bearing; On demand	Unsecured; No impairment
Sicogon Island Tourism Estate Corp. (b)	18,027,500	18,027,500	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	15,022,155	15,022,155	Interest-bearing; On demand	Unsecured; No impairment
Nuevocentro, Inc. (b)	11,072,450	11,072,450	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	10,009,511	10,009,511	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (k)	8,605,250	8,605,250	Noninterest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (j)	10,524,108	8,432,222	Noninterest-bearing; On demand	Unsecured; No impairment
Sicogon Town Hotel, Inc. (b)	8,014,056	8,014,056	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,352,954	4,352,954	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	2,550,667	2,550,667	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	518,902	2,507,137	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	2,030,502	2,030,502	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,816,394	1,816,394	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	561,175	561,175	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	119,225	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	39,830	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	38,382	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	4,661,787	33,114	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	11,930	11,930	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	150	150	Interest-bearing; On demand	Unsecured; No impairment
		<b>₱4,485,124,867</b>		

\*Entities under common control

December 31, 2020				
Category	Volume	Outstanding Balance	Terms	Conditions
<b>Due to related parties</b>				
<b>Parent Company</b>				
Ayala Land Inc. (a)	₱86,040,072	₱306,091,203	Noninterest-bearing, due and demandable	Unsecured
<b>Affiliates*</b>				
AREIT Fund Managers, Inc. (m)	37,373,124	37,373,124	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (n)	28,598,120	28,598,120	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation (c)	20,987,186	13,773,210	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	6,720,868	6,720,868	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	42,535,151	3,317,064	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	4,157,942	4,157,942	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Manila Water Company, Inc. (l)	2,061,853	2,061,853	Noninterest-bearing; On demand	Unsecured
Others**	998,590	998,590	Interest-bearing and noninterest-bearing; On demand	Unsecured
		<b>₱405,111,433</b>		

\*Entities under common control

\*\*Entities below ₱2.00 million



The following describes the nature of the material transactions of the Company with related parties in 2021, 2020 and 2019:

- (a) ALI handles the lease management and marketing functions including key management personnel services of the Company pre-listing last August 13, 2020 and is entitled to receive a management fee. The Company recognized management fee amounting to ₱13.33 million in 2020 (see Note 17).

The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint and Vertis Offices buildings are located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱65.72 million, ₱39.04 million and ₱35.98 million in 2021, 2020 and 2019, respectively (see Note 17).

On January 31, 2020, the Company entered into a contract of lease with ALI wherein ALI assigned, transferred, conveyed into the Company all of its rights and interests under existing tenant contracts which ALI had entered into with retail merchants and office tenants in connection with the development of MECC property. In addition, the contract of lease with ALI also contains the assumption of obligations wherein the Company thereby assumed all obligations of the ALI under the existing tenant contracts in MECC property.

On February 1, 2020, ALI transferred the advance rent, security deposits and initial direct cost incurred for existing tenants of MECC property amounting to ₱75.09 million.

Payable amounting to ₱47.57 million as of December 31, 2021 pertain to expenses paid by ALI on behalf of AREIT for The 30th and Vertis offices operations.

- (b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.00% to 3.75%, 2.63% to 5.50% and 2.64% to 6.25% per annum in 2021, 2020 and 2019 respectively.

The Company recognized interest income amounting to ₱6.97 million, ₱78.31 million and ₱57.95 million in 2021, 2020 and 2019, respectively (see Note 16).

Documentary stamp tax is paid by the borrowers at the time of the loan.

- (c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱74.02 million, ₱71.51 million and ₱61.54 million in 2021, 2020 and 2019 respectively (see Note 17).
- (d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱130.06 million, ₱42.54 million, ₱77.04 million in 2021, 2020 and 2019, respectively of which the remaining payable amounted to ₱6.01 million and ₱3.32 million as of December 31, 2021 and 2020, respectively.
- (e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2021, 2020 and 2019.
- (f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company prior to its listing in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget



process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱28.18 million, ₱12.60 million and ₱15.54 million in 2021, 2020 and 2019, respectively (see Note 17).

- (g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱4.62 million, ₱4.66 million and ₱4.25 million in 2021, 2020 and 2019, respectively, of which the remaining receivable amounted ₱1.76 million, ₱0.03 million and ₱2.85 million as of December 31, 2021, 2020 and 2019, respectively.
- (h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱4.17 million, ₱4.16 million and ₱2.92 million in 2021, 2020 and 2019 respectively.
- (i) This pertains to the receivable arising from lease agreement with MNHVI (see Note 18). The Company recognized finance lease receivable amounting to ₱2,267.93 million. This includes interest income accretion amounting to ₱151.39 million, ₱150.81 million and ₱46.84 million in 2021, 2020 and 2019, respectively (see Note 17).

The Company also recognized receivable amounting to ₱19.99 million pertaining to payment for land lease on behalf of MNHVI.

- (j) This pertains to the receivable arising from lease agreement with NECC (see Note 18). The Company recognized finance lease receivable amounting to ₱973.16 million as of December 31, 2021. This includes interest income accretion amounting ₱37.16 million for the year ended December 31, 2021 (nil in 2020 and 2019; see Note 16).

NECC, is a lessee of the Company for a space in The 30th Corporate Center. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱7.73 million in 2021 (nil in 2020 and 2019).

Payable amounting to ₱56.54 million as of December 31, 2021 pertain to expenses paid by NECC on behalf of AREIT for The 30th and Vertis offices operations.

- (k) The Company's intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱2.05 million, ₱2.06 million and ₱0.86 million in 2021, 2020 and 2019, respectively.

The Company recognized utility services in "Utilities" under "Dues" in the statements of comprehensive income amounting to ₱26.58 million, ₱7.50 million and ₱1.25 million in 2021, 2020 and 2019, respectively (see Note 15).

- (l) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. The Company recognized management fees amounting to ₱135.33 million and ₱37.37 million in 2021 and 2020 (nil 2019, see Notes 17).
- (m) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided that such fee shall not exceed 1% of the net asset value of



the properties being managed. The Company recognized management fees amounting to ₱103.78 million and ₱34.54 million in 2021 and 2020, respectively (nil in 2019, see Note 17).

- (n) The Company's payable to ALO Prime Realty Corp. (APRC), a subsidiary of ALI, amounting to ₱3.58 million pertains to over remittance of security deposits from TP Cebu tenants as of December 31, 2021.
- (o) The Company's payable to Ceci Realty Corp. (CECI), a subsidiary of ALI, amounting to ₱9.94 million pertains to electricity of Evotech building as of December 31, 2021.
- (p) The Company's payable to Westview Commercial Ventures Corp. (WCVC), a subsidiary of ALI, amounting to ₱4.73 million pertains to various expenses paid by WCVC in behalf of the Company for Bacolod Ayala Northpoint and Bacolod Capitol building operations as December 31, 2021.

In 2021 and 2020, the Company acquired certain investment properties from various related parties to increase its portfolio of rentable assets (see Note 7).

Cash in bank

The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱52.61 million, ₱22.21 million and ₱54.81 million in 2021, 2020 and 2019, respectively (see Note 4). Interest income earned from these deposits amounted to ₱105,180, ₱105,903 and ₱41,175 in 2021, 2020 and 2019, respectively (see Note 17).

Compensation of Key Management Personnel

The key management functions of the Company are handled by ALI, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (a), (l) and (m) above.

**21. Financial Assets and Liabilities**

Fair Value Information

Except for the Company's security deposits and long-term debt, which are disclosed below, carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	<b>₱942,749,081</b>	<b>₱864,953,175</b>	₱383,208,715	₱370,671,041
Long-term debt	<b>2,957,472,367</b>	<b>2,844,051,163</b>	-	-

Fair Value Hierarchy

As of December 31, 2021 and 2020, the Company has no financial instrument measured at fair value. In 2021, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

The fair value of the Company's security deposits and long-term debt is categorized under Level 3 in the fair value hierarchy.



The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2020, 2019 and 2018 are shown below:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Security deposits	DCF Method	Discount rate	2021: 1.10%-4.69% 2020: 3.14%-4.75% 2019: 0.10%-4.36%	Increase (decrease) in the discount would decrease (increase) the fair value
Long-term debt	DCF Method	Discount rate	2021: 2.67%	Increase (decrease) in the discount would decrease (increase) the fair value

#### Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to credit, interest rate and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Prior to Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (see Note 20).

#### *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for the trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of December 31, 2021 and 2020, 100% and 70% of the Company's trade receivables are covered by security deposits, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱12.30 million, ₱14.92 million and ₱7.66 million as of December 31, 2021, 2020 and 2019, respectively.



As of December 31, 2021 and 2020, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of December 31, 2021 and 2020, ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

The Company did not provide any allowance relating to receivable from related parties in prior year. There are also no ECL recognized in the current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The Company's maximum exposure to credit risk as of December 31, 2021 and 2020 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

	2021			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱91,968,244	₱-	₱91,968,244	₱-
Receivables				
Finance lease receivable	3,285,820,422	3,377,113,886	-	3,285,820,422
Due from related parties	914,114,901	-	914,114,901	-
Trade receivables	220,680,256	864,953,175	-	220,680,256
Other receivables	858,963	-	858,963	-
Recoverable deposits	12,496,621	-	12,496,621	-
	<b>₱4,525,939,407</b>	<b>₱4,242,067,061</b>	<b>₱1,019,438,729</b>	<b>₱3,506,500,678</b>

	2020			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱58,955,047	₱-	₱58,955,047	₱-
Receivables				
Finance lease receivable	2,242,581,055	2,677,510,000	-	2,242,581,055
Due from related parties	2,242,543,812	-	2,242,543,812	-
Trade receivables	97,316,019	360,671,041	-	97,316,019
Other receivables	897,650	-	897,650	-
Recoverable deposits	10,034,460	-	10,034,460	-
	<b>₱4,652,328,043</b>	<b>₱3,038,181,041</b>	<b>₱2,312,430,969</b>	<b>₱2,339,897,074</b>

The aging analysis of the Company's receivable presented per class is as follows:

**December 31, 2021**

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	₱3,285,820,422	₱-	₱-	₱-	₱-	₱3,285,820,422	
Due from related parties	759,585,728	47,717,824	2,881,915	83,770	103,845,664	914,114,901	
Trade receivables – billed	13,859,505	3,077,162	27,102,252	330,463	138,854,828	220,680,256	
<b>Total</b>	<b>₱4,059,265,655</b>	<b>₱50,794,986</b>	<b>₱29,984,167</b>	<b>₱414,233</b>	<b>₱242,700,492</b>	<b>₱4,420,615,579</b>	



December 31, 2020

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	₱2,242,581,055	₱-	₱-	₱-	₱-	₱2,242,581,055	
Due from related parties	378,311,003	334,700	83,995,847	196,017,361	1,583,884,901	2,242,543,812	
Trade receivables – billed	31,811,441	206,716	12,501,473	6,059,795	31,812,835	97,316,019	
<b>Total</b>	<b>₱2,652,703,499</b>	<b>₱541,416</b>	<b>₱96,497,320</b>	<b>₱202,077,156</b>	<b>₱1,615,697,736</b>	<b>₱4,582,440,886</b>	

*Liquidity risk*

The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost and ensures the availability of ample unused credit facilities as back-up liquidity.

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as of December 31, 2021 is ₱11.00 billion. The Company may also refinance its short-term and long-term loans and manage its payment terms for its payables..

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	2021			Total
	< 1 year	1 to 5 years	> 5 years	
<b>Financial assets</b>				
Cash in banks	₱91,968,244	₱-	₱-	₱91,968,244
Receivables				
Finance lease receivable	236,172,830	943,485,358	8,465,334,764	9,644,992,952
Due from related parties	2,242,543,812	-	-	2,242,543,812
Trade receivables*	183,224,210	-	-	183,224,210
Recoverable deposits	12,496,621	-	-	12,496,621
	<b>₱2,766,405,717</b>	<b>₱943,485,358</b>	<b>₱8,465,334,764</b>	<b>₱12,175,225,839</b>
<b>Financial liabilities</b>				
Accounts and other payables				
Due to related parties	₱299,429,900	₱-	₱-	₱299,429,900
Accounts payable	99,045,078	-	-	99,045,078
Accrued expenses	67,422,855	-	-	67,422,855
Retention payable	2,041,577	-	-	2,041,577
Interest payable**	2,207,375	-	-	2,207,375
Short-term debt	890,000,000	-	-	890,000,000
Security deposits	436,882,890	404,393,757	101,472,434	942,749,081
Lease liability	49,853,415	221,433,216	4,135,237,075	4,406,523,706
Construction bonds	58,579,640	-	-	58,579,640
Long-term debt	-	3,000,000,000	-	3,000,000,000
	<b>₱1,905,462,730</b>	<b>₱3,625,826,973</b>	<b>₱4,236,709,509</b>	<b>₱9,767,999,212</b>

\*net of allowance for expected credit losses

\*\*includes future interest payments



	2020			Total
	< 1 year	1 to 5 years	> 5 years	
<b>Financial assets</b>				
Cash in banks	₱58,955,047	₱-	₱-	₱58,955,047
Receivables				
Finance lease receivable	189,728,000	650,496,000	5,390,029,750	6,230,253,750
Due from related parties	2,242,543,812	-	-	2,242,543,812
Trade receivables*	82,392,260	-	-	82,392,260
Recoverable deposits	10,034,460	-	-	10,034,460
	<b>₱2,583,653,579</b>	<b>₱650,496,000</b>	<b>₱5,390,029,750</b>	<b>₱8,624,179,329</b>
<b>Financial liabilities</b>				
Accounts and other payables				
Due to related parties	₱405,111,433	₱-	₱-	₱405,111,433
Accrued expenses	56,595,899	-	-	56,595,899
Accounts payable	26,949,888	-	-	26,949,888
Retention payable	785,200	-	-	785,200
Security deposits	83,737,432	296,025,357	3,445,926	383,208,715
Lease liability	34,300,129	155,229,735	2,728,277,808	2,917,807,672
	<b>₱607,479,981</b>	<b>₱451,255,092</b>	<b>₱2,731,723,734</b>	<b>₱3,790,458,807</b>

\*net of allowance for expected credit losses

## 22. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2021, 2020 and 2019 were computed as follows:

	2021	2020 (As restated)	2019
Net income	<b>₱2,433,267,040</b>	₱6,264,814,788	₱3,704,339,746
Weighted average number of common shares	<b>1,479,405,605</b>	996,151,230	977,792,435
Basic/Diluted earnings per share	<b>₱1.64</b>	₱6.29	₱3.79

The Company also assessed that there were no potential dilutive common shares in 2021, 2020 and 2019.

## 23. Segment Reporting

The Company has determined that it is currently operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Company's four parcels of land, nine condominium office units and thirteen-building lease operations are its only income-generating activity, and such is the measure used by the Management in allocating resources.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱376.67 million and ₱253.04 million for the year ended December 31, 2021, ₱376.59 million and ₱255.97 million for the year ended December 31, 2020 and ₱356.32 million and ₱254.33 million for the year ended December 31, 2019.

### Distributable Income under the IRR of REIT Act of 2009

Under the Revised Implementing Rules and Regulations of REIT Act of 2009, section 4c, the Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under the PFRS.



The computation of distributable income as presented to the Management of the Company as at December 31, 2021 and 2020 is shown below:

	2021	2020
Net income	P2,433,267,040	P6,264,814,788
Unrealized gains:		
Unrealized gain on fair value change in investment properties	(164,502,279)	(1,424,645,596)
Gain on finance lease	(49,763,675)	-
Distribution adjustments:		
Impact on DTL of fair value accounting	-	(3,387,455,299)
Impact on DTL of listing as a REIT entity	-	(3,293,073)
<b>Distributable Income</b>	<b>P2,219,001,086</b>	<b>P1,449,420,820</b>

#### 24. Notes to Statements of Cash Flow

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2021	Cash flows	Non-cash changes	December 31, 2021
Dividends	P-	(P1,733,359,375)	P1,733,359,375	P-
Short-term debt	-	890,000,000	-	890,000,000
Share issuance cost	-	(35,877,520)	35,877,520	-
Lease liabilities	871,843,943	(37,177,503)	319,314,390	1,153,980,830
Long-term debt	-	2,957,472,367	-	2,957,472,367
<b>Total liabilities from financing activities</b>	<b>P871,843,943</b>	<b>P2,041,057,969</b>	<b>2,088,551,285</b>	<b>P3,847,472,367</b>

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Dividends	P-	(P953,860,485)	P953,860,485	P-
Issuance of shares	-	1,223,218,423	(1,223,218,423)	-
Lease liabilities	-	(32,796,936)	904,640,879	871,843,943
<b>Total liabilities from financing activities</b>	<b>P-</b>	<b>P236,561,002</b>	<b>P635,282,941</b>	<b>P871,843,943</b>

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Dividends	P-	(P961,297,669)	P961,297,669	P-

The Company's noncash operating and investing activities are as follows:

##### Operating

- Interest expense arising from accretion of security deposit amounting to P24.87 million, P13.93 million and in P12.56 million in 2021, 2020 and 2019 respectively (see Notes 12 and 17).
- Noncash movement in "Receivables" and "Investment properties" arising from lease agreement with NECC amounting to P936.00 million and P886.24 million, respectively in 2021 (nil in 2020 and 2019; see Notes 7, 18, 20).
- Noncash movement in "Receivables" and "Investment properties" arising from lease agreement with MNVHI amounting to P2,221.09 million and P1,823.96 million, respectively in 2019 (nil in 2021 and 2020; see Notes 7, 18 and 20).

##### Investing

- Recognition of right-of-use asset recorded under investment properties and lease liability in 2021 amounting to P256.30 million for land lease agreements assigned to the Company under the property-for-share swap agreement for Bacolod Capitol Corporate Center and Evotech One and Two.
- Addition in investment properties amounting to P15,415.81 million related to the property-for-share swap agreement with ALI, WCVV, and GDI in 2021 (See Note 7)



- Increase in fair value of investment properties net of lease commissions amounting to ₱200.14 million ₱1,472.09 million and ₱2,793.61 million in 2021, 2020 and 2019, respectively (See Note 7).

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## 25. Events After the End of the Reporting Period

On February 24, 2022, the Board of Directors of the Company as its regular meeting, approved the declaration of cash dividends of ₱0.47 per outstanding common share for the fourth quarter of 2021. The cash dividends amounting to ₱709.19 million will be payable on March 25, 2022, to stockholders on record as of March 11, 2022.

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## 26. Report on the Supplementary Information Required Under RR 15-2010

### Value added tax (VAT)

The National Internal Revenue Code (NIRC) of 1997, as amended, also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company's vatable sales are based on actual collections received, hence may not be the same as amounts accrued in the statements of comprehensive income. The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2021

### Receipts and output VAT declared in the Company's VAT returns in 2021

	Net Receipts	Output VAT
Taxable receipts	₱958,206,170	₱114,984,740

The Company, in its 2021 VAT declarations, has reported Net Receipts of ₱958,206,170 and output VAT of ₱114,984,740. These amounts arise from the Company's interest income on intercompany loans.

### Details of Input VAT follow:

Balance at January 1, 2020	₱515,216,451
Capital Goods not subject for Amortization	304,115
Input tax on depreciable capital good not attributable to any specific activity	310,466,169
Domestic purchases/payments for:	
Domestic purchases of services	128,893,604
Purchase of goods other than capital goods	119,712,714
<u>Total Input VAT</u>	<u>1,074,593,053</u>
<u>Less applied against output VAT</u>	<u>114,984,740</u>
<u>Balance at December 31, 2021</u>	<u>₱959,608,313</u>



Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included in "Taxes and licenses" under "Direct operating expenses" and "General and Administrative expenses" in the statements of comprehensive income. Details of other taxes and licenses in 2021 follow:

<u>Local</u>	
Real property tax	₱164,311,236
Business permit	35,744,622
Community tax	10,500
Others	3,837,809
	<hr/>
	203,904,167
<hr/>	
<u>National</u>	
Fire permit	520,014
BIR annual registration	500
Others	377,000
	<hr/>
	897,514
	<hr/>
	₱204,801,681
	<hr/>

Withholding Taxes

The Company's expanded withholding taxes for the year amounted to ₱56,705,244. Out of which, ₱37,365,781 remain outstanding as part of "Taxes payable" under "Accounts and other payables" as of December 31, 2021.

Taxes on Importation

The Company has not made any importations in 2021.

Excise Tax

The Company has no transaction subject to excise tax in 2021.

Documentary Stamp Tax

The Company paid documentary stamp tax amounted ₱49.37 million for the year ended December 31, 2021 pertaining to lease contracts of various tenants.

Tax Contingencies

The Company did not receive any Letter of Assessment, Preliminary Assessment Notice and Final Tax Assessment before or during 2021, nor it has tax cases under preliminary investigations, litigation, and/or prosecution in courts or bodies outside the administration of the Bureau of Internal Revenue.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE**

The Stockholders and Board of Directors  
AREIT, Inc.  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated February 24, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez  
Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 112004-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2022



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and Board of Directors  
AREIT, Inc.  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated February 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez  
Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 112004-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2021



## **AREIT, INC.**

### **INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

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Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary Schedules Required by Annex 68-J

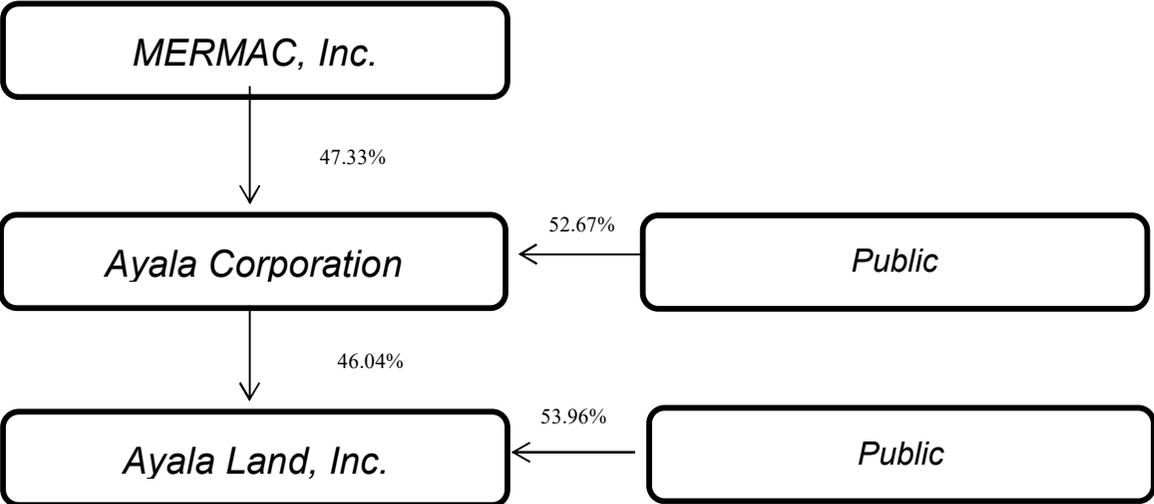
- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
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**AREIT, INC.****Reconciliation of Retained Earnings Available for Dividend Declaration  
DECEMBER 31, 2021**

Unappropriated Retained Earnings, beginning		₱21,765,499,530
Less: Cumulative Fair Value Adjustment of Investment Properties from its Original Cost		
Restatement adjustment	20,469,371,278	
Accumulated depreciation	(1,082,955,724)	19,386,415,554
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		2,379,083,976
<b>Add: Net income actually earned/realized during the period</b>		
Net income during the period closed to Retained Earnings		2,433,267,040
Less: Non-actual/unrealized income net of tax		
Fair Value adjustments of Investment Properties resulting to gain adjustment due to deviation from PFRS/GAAP – gain		164,502,279
Gain on finance lease		49,763,675
<b>Net income Actual/Realized</b>		2,219,001,086
Dividend declarations during the year		(1,733,359,375)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>₱2,864,725,687</b>



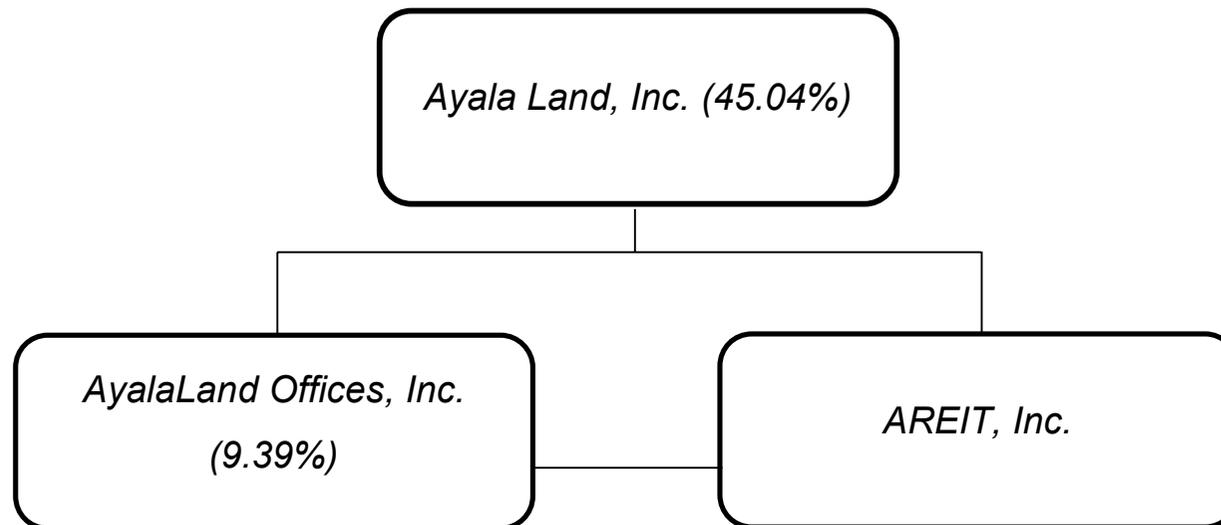
**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES  
DECEMBER 31, 2021**



**AREIT, INC.**

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES  
DECEMBER 31, 2021**

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AYALA LAND, INC.

*Cagayan de Oro Gateway Corp. (70%)*

*Adauge Commercial Corporation (60%)*

*Alabang Commercial Corporation (50%)*

*Ayala Property Management Corp. (100%)*

*Soltea Commercial Corp. (60%)*

*Southgateway Development Corp. (100%)*

*Makati Development Corporation (100%)*

*Ayala Theatres Management, Inc. & S. (100%)*

*CMPI Holdings, Inc. (60%)*

*Ayalaland MetroNorth, Inc. (100%)*

*Ayala Hotels, Inc. (50%)*

*DirectPower Services, Inc. (100%)*

*ALI-CII Development Corporation (50%)*

*North Triangle Depot Commercial Corp. (73%)*

*AyalaLand Hotels and Resorts Corp. (100%)*

*Phil. Integrated Energy Solutions, Inc. (100%)*

*Roxas Land Corporation (50%)*

*BGWest Properties, Inc. (50%)*

*Lagdigan Land Corp. (60%)*

*Five Star Cinema, Inc. (100%)*

*Ten Knots Phils, Inc. (60%)*

*Ten Knots Development, Corp. (60%)*

*Southportal Properties Inc. (65%)*

*Leisure and Allied Industries Philippines, Inc. (50%)*

*ALInet.com, Inc. (100%)*

*First Longfield Investments Limited (100%)*

*Aprisa Business Process Solutions, Inc. (100%)*

*AyalaLand Club Management, Inc. (100%)*

*Varejo Corp. (100%)*

*Ayala Land Malls, Inc. (100%)*

*Verde Golf Development Corporation (100%)*

*Whiteknight Holdings, Inc. (100%)*

*ALI Commercial Center Inc. (100%)*

*Cebu Holdings Inc. (71%)*

*AREIT, Inc. (54.43%)*

AYALA LAND, INC.

Alveo Land Corporation (100%)

Serendra, Inc. (28%)

Amorsedia Development Corporation (100%)

Avida Land Corporation (100%)

Amaia Land Co. (100%)

Ayala Land International Sales, Inc. (100%)

Ayala Land Sales, Inc. (100%)

Buendia Landholdings, Inc. (100%)

Crans Montana Holdings, Inc. (100%)

Crimson Field Enterprises, Inc. (100%)

Ecoholdings Company, Inc. (100%)

NorthBeacon Commercial Corporation (100%)

Red Creek Properties, Inc. (100%)

Regent Time International, Limited (100%)

Asterion Technopod, Incorporated (100%)

Westview Commercial Ventures Corp. (100%)

North Ventures Commercial Corp. (100%)

Hillsford Property Corporation (100%)

Primavera Towncentre, Inc. (100%)

Summerhill E-Office Corporation (100%)

Sunnyfield E-Office Corporation (100%)

Subic Bay Town Centre, Inc. (100%)

Regent Wise Investments Limited (100%)

AREIT Fund Managers, Inc. (100%)

Arvo Commercial Corporation (100%)

BellaVita Land Corporation (100%)

Nuevo Centro, Inc. (54%)

Cavite Commercial Town Center, Inc. (100%)

AyalaLand offices, Inc. (100%)

Laguna Technopark, Inc. (68%)

Aurora Properties Incorporated (81%)

Vesta Property Holdings, Inc. (78%)

Station Square East Commercial Corporation (69%)

Ceci Realty, Inc. (60%)

Accendo Commercial Corp. (67%)

Aviana Development Corporation (50%)

AREIT, Inc. (54.43%)

AREIT Property Managers, Inc. (100%)

**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS  
DECEMBER 31, 2021**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱50,915,914	₱50,915,914	₱137,149
Bank of Philippine Islands	41,052,330	41,052,330	105,180
	91,968,244	91,968,244	242,329
Receivables			
Related parties	4,199,935,323	4,199,935,323	6,966,317
Third parties	220,680,256	220,680,256	-
Others	858,963	858,963	-
	4,421,474,542	4,421,474,542	6,966,317
	<b>₱4,513,442,786</b>	<b>₱4,513,442,786</b>	<b>₱7,208,646</b>

**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS,  
OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN  
RELATED PARTIES)  
DECEMBER 31, 2021**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

**AREIT, INC.**

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**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

AREIT, INC.

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**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
**DECEMBER 31, 2021**

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<b>Long-term Debt</b>			
<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "current portion of long-term" in related balance sheet</b>	<b>Amount shown under caption "long-term debt" in related balance sheet</b>
N/A	N/A	N/A	N/A

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**AREIT, INC.**

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**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
DECEMBER 31, 2021**

<b>Indebtedness to Related Parties (Long-term Loans from Related Companies)</b>		
<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
N/A	N/A	N/A

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS  
DECEMBER 31, 2021**

**Guarantees of Securities of Other Issuers**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

## AREIT, INC.

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**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**  
**DECEMBER 31, 2021**


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**Capital Stock**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,950,000,000	1,508,910,810	-	1,508,910,810	13	-

**AREIT, INC.**

**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS  
DECEMBER 31, 2021**

Ratio	Formula	2021	2020	2019
Current ratio	Current assets / Current liabilities	<b>0.67</b>	3.55	4.17
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash and receivables – current portion)	<b>0.63</b>	3.32	3.99
Solvency ratio	Net Income add Depreciation/ Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	<b>0.63</b>	0.00	0.00
Debt-to-equity ratio	Total debt / Stockholders' equity	<b>0.08</b>	0.00	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	<b>1.16</b>	1.07	1.17
Interest rate coverage ratio**	EBITDA / Interest expense	<b>14.02</b>	23.63	103.77
Return on equity	Net income / Average total stockholders' equity	<b>5%</b>	19%	N/A*
Return on assets	Net income after tax / Average total assets	<b>6%</b>	21%	N/A*
Net profit margin	Net income / Total revenue	<b>0.73</b>	3.08	2.22

\*December 31, 2019 ratio is not presented since the statement of financial position for December 31, 2018 is not part of the financial statements

\*\*EBITDA refers to earnings before interest, taxes, depreciation, amortization and excludes net fair value change in investment properties and nonrecurring gain under finance lease