



32/F TO 35/F, TOWER ONE AND EXCHANGE PLAZA
AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY, PHILIPPINES 1226
TELEPHONE NUMBER (+632) 7908-3000 / (+632) 7908-3357

OFFER SUPPLEMENT

**₱10.0 billion Fixed-rate Bonds
With an Oversubscription Option
of ₱5.0 billion
The Second Tranche under its
₱30.0 Billion Debt Securities Program**

Consisting of:

**Series C Bonds: 4.4542% p.a. due 2025
Series D Bonds: 5.6239% p.a. due 2027
Series E Bonds: 6.1351% p.a. due 2029**

Joint Issue Managers



BPI Capital Corporation



Joint Lead Underwriters and Bookrunners

**BDO Capital & Investment Corporation
BPI Capital Corporation
China Bank Capital Corporation
First Metro Investment Corporation
SB Capital Investment Corporation**

Selling Agents

**East West Banking
Corporation**

**Philippine Commercial Capital,
Inc.**

RCBC Capital Corporation

The date of this Offer Supplement is May 10, 2022.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WAS FILED WITH THE SEC AND RENDERED EFFECTIVE ON MAY 12, 2021 COVERING ₱30.0 BILLION OF SECURITIES. OF SUCH AMOUNT, ₱10.0 BILLION OF SECURITIES WERE ISSUED ON MAY 28, 2021.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS OFFER SUPPLEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

AYALA CORPORATION**32/F TO 35/F, TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE****MAKATI CITY, PHILIPPINES 1226****TELEPHONE NUMBER: (+632) 7908-3000/(+632) 7908-3357****WEBSITE: <https://www.ayala.com>**

Ayala Corporation (“Ayala”, the “Issuer” or the “Company”) prepared the prospectus dated May 11, 2021 (the “Prospectus”) relating to the offering of ₱30,000,000,000 debt securities (“Securities”) to be issued in one or more tranches (each a “Tranche”) under the rules and regulations of the Securities and Exchange Commission (“SEC”), as authorized by resolutions of the Board of Directors of the Company dated June 22, 2017, and September 22, 2020 (the “Debt Securities Program”). A registration statement filed by the Company covering the Debt Securities Program was rendered effective by the SEC by its order dated May 12, 2021. For the first Tranche of the Debt Securities Program consisting of fixed-rate bonds in aggregate amount of ₱10,000,000,000, a certificate of permit to offer securities for sale (“SEC Permit”) of such bonds was issued on May 12, 2021.

This Offer Supplement (and as the context requires, the term includes the Prospectus) relates to the second tranche of the Debt Securities Program in the form of fixed-rate bonds with an aggregate amount of ₱15,000,000,000 which is comprised of a base offer of ₱10,000,000,000 (the “Base Offer”) with an oversubscription option of ₱5,000,000,000 (the “Oversubscription Option” together with the Base Offer, the “Offer”) consisting of 4.4542% Series C Bonds due 2025 (“Series C Bonds”), 5.6239% Series D Bonds due 2027 (“Series D Bonds”), and 6.1351% Series E Bonds due 2029 (the “Series E Bonds”, and together with the Series C and Series D Bonds, the “Bonds” or the “Issue”), which was authorized by resolutions of the Board of Directors of the Company dated March 10, 2022. The Bonds shall be issued on May 26, 2022 or such other date as may be agreed upon by the Issuer and BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation, First Metro Investment Corporation, and SB Capital Investment Corporation (each a “Joint Lead Underwriter and Bookrunner” and collectively, the “Joint Lead Underwriters and Bookrunners”).

After their issuance, the Series C Bonds shall have a term ending three (3) years from the Issue Date, with a fixed interest rate of 4.4542% per annum, the Series D Bonds shall have a term ending five (5) years from the Issue Date, with a fixed interest rate of 5.6239% per annum, and the Series E Bonds shall have a term ending seven (7) years from the Issue Date, with a fixed interest rate of 6.1351% per annum. Interest on the Bonds shall be calculated on a European 30/360-day count basis and shall be payable quarterly in arrear on August 26, November 26, February 26, and May 26 of each year while the Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day, provided that if the Issue Date is set at a date other than May 26, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date. The last Interest Payment Date shall fall on the relevant Maturity Date while the Bonds are outstanding (see “Description of the Bonds” – “Interest”).

Subject to the consequences of default as contained in the Trust Indenture, and unless otherwise redeemed prior to the relevant Maturity Date, the Bonds will be redeemed at par (or 100% of face value) on the relevant Maturity Date (see “Description of the Bonds” – “Redemption and Purchase”).

The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of Ayala and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of Ayala, except for any statutory preference or priority established under Philippine law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Ayala’s secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

The Bonds have been rated PRS Aaa with a stable Outlook by Philippine Rating Services Corporation (“PhilRatings”). Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The

obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings. The rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency concerned.

The Bonds shall be offered to the public at face value through the Joint Lead Underwriters and Bookrunners, with the Philippine Depository & Trust Corp. ("PDTC") as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Register of Bondholders, and listed in the Philippine Dealing & Exchange Corp. ("PDEX"). The Bonds shall be issued in denominations of ₱50,000 each, as a minimum, and in multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market.

Ayala expects to raise gross proceeds of ₱10.0 billion from the Base Offer and ₱15.0 billion from the Offer assuming the full exercise of the Oversubscription Option. Net proceeds are estimated to be ₱9.9 billion from the Base Offer and ₱14.8 billion from the Offer assuming the full exercise of the Oversubscription Option, after deducting fees, commissions and other expenses relating to the Bonds. Proceeds of the Offer are intended to be for refinancing the Company's Philippine peso-denominated obligations, partially financing its capital expenditures, and general corporate purposes (see "Use of Proceeds"). The Joint Lead Underwriters and Bookrunners shall receive a fee of up to 0.3947%, inclusive of Gross Receipt Tax ("GRT"), on the final aggregate nominal principal amount of the Bonds.

After the close of the Offer and within three (3) years following the effectivity of the registration statement covering the Debt Securities Program, the Company may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of the Securities covered by such registration statement, in one or more subsequent tranches under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. Such a shelf registration provides the Company with the ability to take advantage of opportunities in a volatile debt capital market, as these occur.

However, there can be no assurance in respect of: (i) whether Ayala would issue such securities at all; (ii) the size or timing of any individual issuance or the total issuance of such securities; or (iii) the specific terms and conditions of any such issuance. Any decision by Ayala to offer securities will depend on a number of factors at the relevant time, many of which are not within Ayala's control, including but not limited to: prevailing interest rates, the financing requirements of Ayala's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The Offer is being conducted exclusively in the Philippines and pursuant to requirements under Philippine laws, rules and regulations that may be different from those of other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Bonds in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, nor may any offering material relating to the Bonds be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

No dealer, salesman or other person has been authorized by Ayala and the Joint Lead Underwriters and Bookrunners to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Ayala or the Joint Lead Underwriters and Bookrunners.

This Offer Supplement contains the final terms of the Bonds and must be read in conjunction with the Prospectus. Unless defined in this Offer Supplement, terms used herein shall be deemed to be defined as set forth in the Prospectus. Full information on the Company and this Offer are only available on the basis of the combination of this Offer Supplement, the Prospectus, and all the Bond Agreements. All information contained in the Prospectus are deemed qualified by, and should be read together with the disclosures, reports, and filings of the Company submitted to the SEC, The Philippine Stock Exchange, Inc. ("PSE"), and the PDEX pursuant to the Revised Corporation Code, the Securities Regulation Code, and the Revised Disclosure Rules of the PSE and the Disclosure Rules of the PDEX ("Company

Disclosures”). All information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement. Investors should review all information contained in the Prospectus, this Offer Supplement, and the Company Disclosures.

Unless otherwise stated, the information contained in the Prospectus and this Offer Supplement has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in the Prospectus and this Offer Supplement is correct, and that there is no material statement or omission of fact which would make any statement in the Prospectus and this Offer Supplement misleading in any material respect. The Joint Lead Underwriters and Bookrunners have exercised due diligence in ascertaining that all material representations contained in the Prospectus and this Offer Supplement and any amendments and supplements are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

Unless otherwise indicated, all information in the Prospectus and this Offer Supplement is as of the date provided. Neither the delivery of the Prospectus and this Offer Supplement nor any sale made pursuant to the Prospectus and this Offer Supplement shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date.

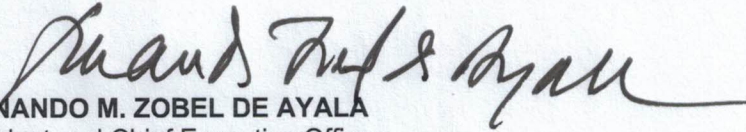
The financial information included in this Offer Supplement has been derived from the financial statements of the Company. Unless otherwise indicated, financial information in this Offer Supplement has been prepared in accordance with Philippine Financial Reporting Standards (“PFRS”).

In this Offer Supplement, references to “Pesos” or “₱” are to the lawful currency of the Philippines. This Offer Supplement contains translations of certain amounts into U.S. Dollars at specified rates solely for the convenience of the reader. In addition, unless otherwise indicated, U.S. Dollar/Philippine Peso exchange rates, referred to in this Offer Supplement, are Philippine Dealing System weighted average rates for the indicated period or on the applicable date, as relevant. No representation is made that the Peso, U.S. Dollar, or other currency amounts referred to herein could have been or could be converted into Pesos, U.S. Dollars, or any other currency, as the case may be, at this rate, at any particular rate or at all. Figures in this Offer Supplement have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

AYALA CORPORATION

By:



FERNANDO M. ZOBEL DE AYALA
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

Before me, a notary public in and for the city named above, personally appeared FERNANDO M. ZOBEL DE AYALA with Passport No. P0349883B issued at DFA Manila on January 22, 2019, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this MAY 10 2022 at Makati City.

Doc No. 474
Book No. 96
Page No. XLIII
Series of 2022.

Notarial DST pursuant to
Sec.188 of the Tax Code
affixed on 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
TR No. 8852355MJ - 01/03/2022 - Makati City
LE Compliance No. VII - 0000267 - 07/30/2019
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

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FORWARD LOOKING STATEMENTS

This Offer Supplement contains certain “forward-looking statements”. These forward-looking statements generally can be identified by use of statements that include words or phrases such as “believes”, “expects”, “anticipates”, “intends”, “plans”, “foresees”, or other words or phrases of similar import. Similarly, statements that describe Ayala’s objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that the forward-looking events and circumstances discussed in this Offer Supplement might not occur. Actual results could differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations of Ayala include, among others:

- General economic and business conditions in the Philippines;
- Holding company structure;
- Intensive capital requirements of subsidiaries and affiliates of Ayala in the course of business;
- Increasing competition in the industries in which Ayala’s subsidiaries and affiliates operate;
- Industry risk in the areas in which Ayala’s subsidiaries and affiliates operate;
- Changes in laws and regulations that apply to the segments or industries in which Ayala, its subsidiaries and affiliates operate;
- Changes in political conditions in the Philippines;
- Changes in foreign exchange control regulations in the Philippines; and
- Changes in the value of the Philippine Peso.

For further discussion of such risks, uncertainties and assumptions, see the “*Risk Factors*” section of this Offer Supplement. Prospective purchasers of the Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Offer Supplement, and Ayala undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

DEFINITION OF TERMS

Unless otherwise indicated, the following terms shall have the meanings set forth below:

3G	Third generation radio frequency spectra
AA Thermal	AA Thermal Inc.
Aboitiz Power	Aboitiz Power Corp.
ACC	Alabang Commercial Corporation
ACEN	AC Energy Corporation
ACEX	ACE Enexor, Inc.
ACIFL	AC International Finance Limited
AC Education or AEI	AC Education Inc.
AC Health	Ayala Healthcare Holdings, Inc.
AC Industrials or ACI	AC Industrial Technology Holdings Inc.
AC Infra	AC Infrastructure Holdings Corp.
AC Energy International	AC Energy International Holdings Pte. Ltd.
ACEIC	AC Energy and Infrastructure Corporation (formerly, AC Energy, Inc.)
ACPI	Adventure Cycle Philippines
ADAS	Advanced Driver-Assistance Systems
Agri-Agra	Agrarian Beneficiaries and Agricultural Sectors
AFP	Armed Forces of the Philippines
AG Holdings	AG Holdings Limited
AHI	Ayala Hotels, Inc.
AI	Adspark Inc.
ALI or Ayala Land	Ayala Land, Inc.
ALISI	Ayala Land International Sales, Inc.
ALLHC	AyalaLand Logistics Holdings Corp.
ALP	AyalaLand Premier, Inc.
ALSI	Ayala Land Sales, Inc.
Alveo	Alveo Land Corp.
AMLA	Anti-Money Laundering Act
APMC	Ayala Property Management Corporation
APRISA	Aprisa Business Solutions, Inc.
APSI	Amicassa Process Solutions, Inc.
Application to Purchase	Document to be accomplished by applicants for the application to purchase the Bonds
Articles of Incorporation	Articles of Incorporation of Ayala
ASEAN	Association of Southeast Asian Nations
Asiacom	Asiacom Philippines, Inc.
Associate/s	Entities over which Ayala has significant influence and is neither a subsidiary nor a joint venture
Asticom	Asticom Technology, Inc.
ATIGA	ASEAN Free Trade Area ASEAN Trade in Goods Agreement

Attributable Consolidated Net Income	Pertains to Net Income attributable to the Parent Company, after deducting the share of minority owners from the consolidated net income of the Group.
Auto-LPG Rules	DOE Circular No. DC 2007-02-0002
Avida	Avida Land Corporation
Ayala	Ayala Corporation (also the “Company” or the “Issuer”)
Ayala Greenfield or AGDC	Ayala Greenfield Development Corporation
Ayala Group	Ayala Corporation and its subsidiaries (also the “Group”)
AREIT	AREIT, Inc.
Azalea International	Azalea International Venture Partners Limited
Azalea Technology	Azalea Technology Investments, Inc.
BanKo	BPI Direct BanKo, Inc.
BAP	Bankers Association of the Philippines
Bayan Muna	Bayan Muna Party List
BCC	Bonifacio Communications Corporation
BCDA	Bases Conversion Development Authority
BCM	Body Control Module
BDO Capital	BDO Capital & Investment Corporation
BellaVita	BellaVita Land Corp.
BellTel	Bell Telecommunications Inc.
BFSB	BPI Family Savings Bank, Inc.
BGC	Bonifacio Global City
BHC	Brightshare Holdings Corporation
BIMI	BPI Investment Management Inc.
BIR	Bureau of Internal Revenue
BIWC	Boracay Island Water Company
BMDC	Bulacan MWPV Development Corporation
Board	The Board of directors of Ayala / Issuer
BOI	Board of Investments
Bondholders	Holders of the Bonds
BPI	Bank of the Philippine Islands (also the “Bank”)
BPI AMTC	BPI Asset Management and Trust Corp.
BPI Capital	BPI Capital Corporation
BPI CTL	BPI Century Tokyo Lease & Finance Corp.
BPI Group	BPI and its subsidiaries
BPO	Business Processing Outsourcing
BPS	Bureau of Product and Standards
Brillant	Brillant 1257 GmbH & Co. Vierte Verwaltungs Kg
BSP	Bangko Sentral ng Pilipinas
BTHC	Bayan Telecommunications Holdings Corporation
Business Day	a day, except Saturday, Sunday, or legal or public holidays, on which Philippine banks are required to open for business in the city of Makati.
BVAL	Bloomberg Valuation Service
BWD	Balagtas Water District

BWSS	Boracay Waterworks and Sewerage System
CA	Court of Appeals
CAAP	Civil Aviation Authority of the Philippines
CAGR	Compounded Annual Growth Rate
CAM	Cash Accept Machines
CAR	Capital Adequacy Ratio
CARD MRI	Center for Agriculture and Rural Development Mutually Reinforcing Institutions
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals
CCB	Capital Conservative Buffer
CCO	Chemical Control Order
C-CON	C-CON Group
CET1	Common Equity Tier
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHI	Cebu Holdings, Inc.
China Bank Capital	China Bank Capital Corporation
CIWD	City of Ilagan Water District
Clean Water Act	Philippine Clean Water Act of 2004
CMM	Coordinate Measuring Machine
CMTS	Cellular Mobile Telephone System
CNC	Certificate of Non-Coverage
Commencement Date	August 1, 1997, or the effective date of the Concession Agreement
Common Shares	Ayala's common shares
Concession Agreement	Concession Agreement entered into between Manila Water and the MWSS, as amended
Concessionaires	Refers to both MWC and Maynilad
CPI	Philippine Consumer Price Index
CPCN	Certificate of Public Convenience and Necessity
CREATE Law	Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprise Act
CRO	Chief Risk Officer
CST	Communal Septic Tanks
CTA	Court of Tax Appeals
CTRP	Comprehensive Tax Reform Program
CURE	Connectivity Unlimited Resources Enterprises
CV	Collateral Value
CWD	Calasiao Water District
DAR	Department of Agrarian Reform
DBS	Development Bank of Singapore
DENR	Department of Environment and Natural Resources
Diamond Generating Asia	Diamond Generating Asia Limited
Digitel	Digital Telecommunications Philippines, Inc.
Director	A director of Ayala

DOE	Department of Energy
DOF	Department of Finance
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOSRI	Directors, Officers, Stockholders and other Related Interests
DOTr	Department of Transportation, formerly Department of Transportation and Communications ("DOTC")
DPA	Data Privacy Act
DPSI	Direct Power Services, Inc.
DPWH	Department of Public Works and Highways
DSIB	Domestic Systemically Important Bank
DSL	Digital Subscriber Lines
DTI	Department of Trade and Industry
EBITDA	Earnings Before Interests, Taxes, Depreciation and Amortization
EGG	Entertainment Gateway Group
EIS	Environment Impact Statement
EMB	Environmental Management Bureau
EMS	Electronics Manufacturing Services
EPA	Extraordinary Price Adjustment
EPMI	Ecozone Power Management, Inc.
EPS	Earnings Per Common Share
ERC	Energy Regulatory Commission
EU	European Union
EZBO	East Zone Business Operations
FATF	Financial Action Task Force
FBDC	Fort Bonifacio Development Corporation
FCDA	Foreign Currency Differential Adjustment
Filipinas Water	Filipinas Water Consortium Holdings Corporation
First Metro	First Metro Investment Corporation
FIT	Feed-in Tariff
FPSI	Flipside Publishing Services, Inc.
G&A Expense	General and Administrative expense
GCPRI	Green Circle Properties and Resources, Inc.
GFI	Globe Fintech Innovations, Inc.
GITI	Global International Technologies Inc.
Globe	Globe Telecom, Inc.
GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GMCR	GMCR, Inc.
GMI	Globe Mobilé Italy S.r.l.
GNPK	GNPower Kauswagan Ltd. Co.
Government	Republic of the Philippines
GPON	Gigabit Passive Optical Network

Group	Ayala Group
GSIB	Global Systemically Important Bank
GSPC	Green Square Properties Corporation
GTEU	Globetel European Limited
GTEU-FFW	Globe Employees Union-Federation of Free Workers
GTI	GTI Business Holdings, Inc.
GTIC	GTI Corporation
GTHK	Globe Telecom HK Limited
GTSG	Globetel Singapore Pte. Ltd.
GW	Gigawatts
GXI	G-Xchange, Inc.
HI	House of Investments
HLURB	Housing and Land Use Regulatory Board
HQLA	High-Quality Liquid Asset
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communications System
ID	Independent Director
IDD	International Direct Dialing
IEC	Information, Education and Communication program
IEE	Initial Environmental Examination
IGBT	Insulated Gate Bipolar Transistor
IGF	International digital Gateway Facility
IMI	Integrated Micro-Electronics, Inc.
IMI BG	Integrated Micro-Electronics Bulgaria EOOD
IMI CZ	Integrated Micro-Electronics Czech Republic s.r.o.
IMI Japan	IMI Japan, Inc.
IMI Singapore	IMI International (Singapore) Pte. Ltd.
IMI USA	IMI USA, Inc.
Innove	Innove Communications, Inc.
IoT	Internet-of-Things
Interest Payment Date	means August 26, 2022 for the first Interest Payment Date and August 26, November 26, February 26, and May 26 of each year for each subsequent Interest Payment Date, or the subsequent Business Day if such date is not a Business Day, during which any of the relevant Bonds are outstanding, until and including the Maturity Date (each, an “Interest Payment Date”), provided that if the Issue Date is set at a date other than May 26, 2022, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due. Interest on the Fixed Rate Bonds shall be calculated on a 30/360-day count basis.
IP	Internet Protocol

iPeople	iPeople, Inc.
IPO	Initial Public Offering
IRC	Interest Rate Corridor
IRR	Implementing Rules and Regulations
ISIS	Islamic State in Iraq and Syria
Islacom	Isla Communications Company, Inc.
Issue Date	May 26, 2022, or if such date is not a Business Day, then the next succeeding Business Day (with corresponding adjustments to payment dates but without adjustment to the interest periods or amounts due) or such other date as may be agreed upon by the Issuer and the Joint Lead Underwriters and Bookrunners, with advice to the SEC, PDTC and PDEX.
ITH	Income Tax Holiday
Joint Issue Managers	BPI Capital Corporation and BDO Capital & Investment Corporation
Joint Lead Underwriters and Bookrunners	BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation, First Metro Investment Corporation, and SB Capital Investment Corporation
Joint Venture	Entities over which Ayala has joint control or has contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control
JV	Joint Venture
JVA	Joint Venture Agreement
KAMMI	KTM Asia Motorcycle Manufacturing, Inc.
Kickstart	Kickstart Ventures, Inc.
KRI	Key Risk Indicator
kWh	Kilowatt hour
LBAA	Local Board of Assessment Appeals
LBNI	Liberty Broadcasting Network, Inc.
LCD	Liquid Crystal Display
LCR	Liquidity Coverage Ratio
LED	Loss Event Data
LHC	Lopez Holdings Corporation
LHI	Liontide Holdings, Inc.
LIB	Liberty Telecom Holdings, Inc.
Liquidation Right	The preference granted to the holders of Preferred “B” shares under the Issuer’s Articles of Incorporation, as amended, over the holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Issuer and in the payment of the dividend at the rate specified at the time of issuance
Livelt	Livelt Investments Limited
LLDA	Laguna Lake Development Authority
LMA	Local Monthly Allocation
LMWD	Leyte Metropolitan Water District
LGC	Local Government Code

LGU	Local Government Unit
LPG	Liquefied Petroleum Gas Industry
LPG Industry Rules	Rules and Regulations Governing the Liquefied Petroleum Gas Industry
LPWAN	Low Power Wide Area Network
LRMHI	Light Rail Manila Holdings, Inc.
LTE	Long-Term Evolution
LTi	Laguna Technopark, Inc.
LTO	Land Transportation Office
LTS	License to Sell
LV	Loanable Value
LTV	Loan-to-Value
Manila Water Group	Refers to Manila Water and its subsidiaries
MARINA	Maritime Industry Authority
Maturity Date	unless previously redeemed or cancelled, the date falling three (3) years after the Issue Date for Series C Bonds, five (5) years after the Issue Date for Series D Bonds, and seven (7) years after the Issue Date for Series E Bonds. However, the Maturity Date of the Bonds, for the purpose of Ayala Corporation effecting repayment of the principal amount thereof, is subject to the following Business Day convention. In the event that the Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be automatically extended to the immediately succeeding Business Day, without adjustment to the amount of interest to be paid.
Maxus	SAIC MAXUS Automotive Co., Ltd.
Maynilad	Maynilad Water Services, Inc.
MC	Memorandum Circular
MCT	MCT Bhd
MDBI	MDBI Construction Corp.
MDC	Makati Development Corporation
Mermac	Mermac, Inc.
Megaworld	Megaworld Corporation
Merger Rules	Collectively refers to the PCA, its IRR, as amended, and the Rules on Merger Procedure
MILF	Moro Islamic Liberation Front
Mitsubishi	Mitsubishi Corporation
MMS	Multimedia Messaging Service
MNLF	Moro National Liberation Front
MOA	Memorandum of Agreement
Montesol	Monte Solar Energy Inc.
MPO	Minimum Public Ownership
MSSP	Manila Second Sewerage Project
MR	Motion for Reconsideration
MT	MT Technologies GmbH
MTSP	Manila Third Sewerage Project
MW	Megawatt

MWAP	Manila Water Asia Pacific Pte. Ltd.
MWC or Manila Water	Manila Water Company, Inc.
MWEU	Manila Water Employees Union
MWO	Manila Water Operations
MWPV	Manila Water Philippine Ventures, Inc.
MWSAH	Manila Water South Asia Holdings Pte. Ltd.
MWSI	Manila Water Services Inc.
MWSS	Metropolitan Waterworks and Sewerage System
MWTC	Manila Water Thailand Holdings Pte. Ltd.
NCR	National Capital Region
NED	Non-Executive Director
NEXTEL	Next Mobile
NFV	Network Function Virtualization
NLRC	National Labor Relations Commission
NorthWind	NorthWind Power Development Corporation
North Luzon Renewables	North Luzon Renewable Energy Corporation
NPL	Non-performing Loans
NRW	Non-revenue Water
NSFR	Net Stable Funding Ratio
NTC	National Telecommunications Commission
OF	Overseas Filipino
ODM	Original Design Manufacturer
OEM	Original Equipment Manufacturer
OFW	Overseas Filipino Worker
Oil Deregulation Law	Downstream Oil Industry Deregulation Act of 1998
OIMB	Oil Industry Management Bureau
OLC	Ortigas Land Corporation (formerly OCLP Holdings, Inc.)
OSG	Office of the Solicitor General
OWCHC	Obando Water Consortium Holdings Corp.
OWD	Obando Water District
PAB	Pollution Adjudication Board
PAGWAD	Pagsanjan Water District
PAS	Philippine Accounting Standards
Paying Agent	Philippine Depository & Trust Corporation
PCA	Philippine Competition Act of 2015
PCBA	Printed Circuit Board Assembly
PCC	Philippine Competition Commission
PCD	Philippine Central Depository
PCL	Priority Chemicals List
PCO	Pollution Control Officer
PDEx	Philippine Dealing & Exchange Corp.
PDS	Philippine Dealing System Holdings Corp.
PDTC	Philippine Depository & Trust Corporation
PEZA	Philippine Economic Zone Authority

PFM	Philippine FamilyMart CVS, Inc.
PFRS	Philippine Financial Reporting Standards
PHWHC	Philippine Wind Holdings Corporation
PICCS	Philippine Inventory of Chemicals and Chemical Substances
Piltel	Pilipino Telephone Corporation
PLDT	PLDT, Inc.
PLN	Perusahaan Listrik Negara
PNP	Philippine National Police
PNS	Philippine National Standards
POPI	Prime Orion Philippines, Inc.
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
PPS	Participating preferred shares
Preferred “A” Shares	Ayala’s Class “A” preferred shares
Preferred “B” Shares	Ayala’s Class “B” preferred shares
Prospectus	means the prospectus of the Issuer dated May 11, 2021 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Securities (inclusive of the Bonds) within the shelf period of the Debt Securities Program.
PSA	Philippine Standards on Auditing
PSE	The Philippine Stock Exchange, Inc.
PSE EDGE	PSE’s Electronic Disclosure Generation Technology
PSi	PSi Technologies, Inc.
PTA	Philippine Tourism Authority
PTMWI	PT Manila Water Indonesia
R.A.	Republic Act
REIT	Real Estate Investment Trust
Record Date	Cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due
Registrar and Depository Agent	PDTC
RES	Retail Electricity Supplier
REST	Real Estate Stress Test
REST Limit	Real Estate Stress Test Limit
Revised Corporation Code	Revised Corporation Code of the Philippines or Republic Act No. 11232
RMC	Risk Management Committee
Robinsons Land	Robinsons Land Corporation
RPS	Rotor Position Sensor
RPT	Related Party Transaction
RTC	Regional Trial Court
RTGS	Real Time Gross Settlement
RWIL	Regent Wise Investments Limited
SARS	Severe Acute Respiratory Syndrome
SAIC	SAIC Motor Corporation Limited
SBL	Single Borrower’s Limit

SC	Supreme Court
SCC	Standards Compliance Certificate
SEC	Securities and Exchange Commission
Securities Regulation Code	The Philippines' Securities Regulation Code, Republic Act No. 8799 (2000)
Security Holder	Holder of Securities under the ₱30 billion debt securities program
Selling Agents	East West Banking Corporation, Philippine Commercial Capital, Inc., and RCBC Capital Corporation
SES	Supervision and Examination Sector
SGV & Co.	SyCip Gorres Velayo & Co.
SLEX	South Luzon Expressway
Smart	Smart Telecommunications, Inc.
SMC	San Miguel Corporation
SMDC	SM Development Corporation
SME	Small and Medium-Sized Enterprises
SMS	Short Message Service
SMT	Surface Mount Technology
Socialytics	Socialytics Inc.
Speedy-Tech	Speedy-Tech Electronics Ltd.
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicle
SSTEC	Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.
Sta. Clara Power	Sta. Clara Power Corporation
Star Energy	Collectively refers to Star Energy Group Holdings Pte. Ltd. and Star Energy Geothermal Pte. Ltd. of Indonesia
Standard	Standard Insurance
STEL	Speedy-Tech Electronics Ltd.
STI	Singapore Telecom International Pte. Ltd.
STP	Sewage Treatment Plant
STU	Sarana Tirta Ungaran
Subsidiary/ies	Entities over which Ayala has control
S&P	Standard & Poor
Tao	TaoDharma
Tax Code	National Internal Revenue Code of 1997, as amended
Tax Amnesty Law	Republic Act No. 11213
TBC or The Blue Circle	The Blue Circle Pte. Ltd.
Terms and Conditions	the terms and conditions of the issuance of the Bonds as set forth in Annex A of the Trust Indenture.
TIEZA	Tourism Infrastructure and Enterprise Zone Authority
TM	Touch Mobile
TOA	Toll Operation Agreement
TOC	Toll Operation Certificates
TRAIN	Tax Reform for Acceleration and Inclusion
TRO	Temporary Restraining Order

UAE	United Arab Emirates
UK	United Kingdom
UKGT	UK Globetel Limited
UNCLOS	United Nations Convention on the Law of the Sea
UPC Renewables	UPC Renewable Asia Pacific Holdings Limited
U.S.	United States of America
VAT	Value-added Tax
VIA	VIA Optronics GmbH
vIMS	Virtual IP Multimedia System
VOIP	Voice Over Internet Protocol
Voting Preferred	Ayala's voting preferred shares
VSAT	Very Small Aperture Satellite
VTI	Vega Telecom Inc.
VTs	VTs-Touchsensor Co., Ltd.
WARM	Water for All Refund Movement
Waterwatch	Waterwatch Coalition, Inc.
Wi-Fi	Wireless Fidelity
ZCWD	Zamboanga City Water District

EXECUTIVE SUMMARY

The following section discusses updates to the executive summary after the date of the Prospectus, and must be read in conjunction with the Prospectus. The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in the Prospectus and this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Prospectus and this Offer Supplement carefully, including the section entitled “Risk Factors” and the financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

COMPANY OVERVIEW

Ayala was incorporated in the Philippines on January 23, 1968 and is a corporation having a perpetual corporate term pursuant to Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines (the “Revised Corporation Code”). The Company is organized as a holding company holding equity interests in the Ayala Group (the “Group”), one of the largest and most diversified groups in the Philippines. Ayala's business activities are divided into:

- I. core value drivers in (a) real estate, (b) financial services, (c) telecommunications, (d) power;
- II. emerging businesses in (a) healthcare, (b) logistics; and
- III. portfolio investments in (a) industrial technologies, (b) water, (c) infrastructure, (d) education, and (e) technology ventures.

Core value drivers

Ayala's real estate business is primarily conducted through its subsidiary, Ayala Land, Inc. (“Ayala Land” or “ALI”), a diversified real estate company in the Philippines. Its involvement in financial services is through an affiliate, the Bank of the Philippine Islands (“BPI”), which, together with its subsidiaries (together, the “BPI Group”), form a universal banking group in the Philippines. Ayala's telecommunications business is carried out through an affiliate, Globe Telecom, Inc. (“Globe”), a leading telecommunications company in the Philippines. Ayala's investments in the power sector are held under AC Energy and Infrastructure Corporation (“ACE”, “ACEIC” or “AC Energy”), which owns 65% of AC Energy Corporation (“ACEN”), one of the fastest growing energy companies in the region and Ayala's main platform for its energy investments.

Emerging businesses

Ayala's emerging businesses in healthcare is conducted through Ayala Healthcare Holdings (“AC Health”), and logistics operations are housed under AC Logistics.

Portfolio Investments

In portfolio investments, Ayala's international business in electronics manufacturing services and vehicle distribution and retail are under AC Industrial Technology Holdings Inc. (“AC Industrials” or “ACI”). Ayala's investments in water infrastructure are under Manila Water Company, Inc. (“Manila Water” or “MWC”). Its investments in infrastructure are housed under AC Infrastructure Holdings Corp. (“AC Infra”). Ayala's interest in education is conducted through iPeople, inc. (“iPeople”), where it owns a 33.5% stake while its investments in technology ventures are in AC Ventures Holding Corp. (“AC Ventures”).

Ayala became a publicly listed corporation in 1976 when it listed its common shares with the then Makati Stock Exchange. As of December 31, 2021, Ayala had a market capitalization of ₱515 billion based on its closing price of ₱831 per share. In addition, certain members of the Ayala Group, namely ALI, BPI, Globe, ACEN, MWC, Integrated Micro-Electronics, Inc. (“IMI”), AREIT, AyalaLand Logistics Holdings (“ALLHC” or formerly known as Prime Orion Philippines Inc. (“POPI”), Cebu Holdings, Inc. (“CHI”), and ACE Enexor, Inc. (“ACEX”) are likewise publicly listed corporations. Some of Ayala's subsidiaries and affiliates have holdings in the equity of other subsidiaries and affiliates.

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Mermac, Inc., a private holding company incorporated in the Philippines (which held 47.87% of Ayala common shares as at December 31, 2021), is the dominant shareholder of Ayala.

Strategy

Ayala's unique portfolio of businesses provides various engines for growth and diversification. The positive domestic environment experienced over the past decade has served as a catalyst for Ayala to unlock opportunities and incubate new businesses. Ayala took advantage of this encouraging environment to create a portfolio that creates certain hedges against specific macroeconomic and socio-political trends and balances its two major pillars: its core value drivers in real estate, banking, telecom, and power; and its emerging businesses in healthcare and logistics. It also has portfolio investments in water, industrial technologies, infrastructure, education, and technology ventures.

The Group's strategic priority revolves around its 3-point agenda, which includes (a) supporting the continued expansion of its core businesses that are well-positioned to capture fundamental shifts triggered by the pandemic, (b) supporting its emerging units, AC Health and AC Logistics, to achieve scale and become new sources of growth and value for Ayala, and (c) sharpen its portfolio and strengthen its balance sheet through value realization initiatives from which it aims to raise \$1 billion in proceeds by 2023.

Ayala maintains a healthy balance sheet with access to various financing options to meet debt and dividends obligations as well as fund new investments. A robust risk management system allows the Company to maximize opportunities for reinvention, and navigate the challenges faced by its business units.

Recent Developments

On January 17, 2022, the Board of Directors approved the declaration of the first quarter cash dividends on its outstanding Preferred "B" Series 1 Shares amounting to $\frac{1}{4}$ of 5.2500% per annum, or ₱6.56250 per share, based on the issue price of the shares.

During its regular meeting on January 20, 2022, the Board of Directors of Ayala, approved the transfer by Ayala of certain assets having an aggregate value of ₱17,275,552,273.80 (the "Ayala Assets") to ALI in exchange for 309,597,711 common shares (the "ALI Shares") to be issued by ALI at the subscription price of ₱55.80 per share (the "Transaction"). The valuations are supported by a fairness opinion issued by an independent firm, FTI Consulting Philippines, Inc. ("FTI"). The Ayala Assets to be transferred to ALI are:

- (i) 50% stake in Ayala Hotels, Inc., a joint venture of the Company with ALI that owns the lot leased to Manila Peninsula Hotel, Inc. and is ALI's partner for Park Central Towers condominium project;
- (ii) 100% stake in Darong Agricultural and Development Corporation, an operating company with land assets in Davao del Sur;
- (iii) office units at the 32nd to 35th Floors of Tower One and Exchange Plaza with appurtenant parking slots;
- (iv) lot with improvements in Brgy. Bagumbayan, Quezon City along C5 Road; and
- (v) land in Calauan, Laguna.

SEC confirmation of valuation and exemption from registration requirements has been sought and is still ongoing.

The Deed of Exchange for this transaction was executed on January 31, 2022.

On January 31, 2022, the Board of Directors approved the declaration of the first quarter cash dividends on its outstanding Preferred "B" Series 2 Shares amounting to $\frac{1}{4}$ of 4.8214% per annum, or ₱6.02675 per share, based on the issue price of the shares.

On March 2, 2022, Ayala entered into a Share Subscription Agreement with GTI Business Holdings, Inc. ("GTIBH") and KarmanEdge, Inc. for the subscription to 10% of the total outstanding capital stock of KarmanEdge, Inc. Under the agreement, both Ayala and ST Telemedia Global Data Centers ("STT

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GCD”) shall subscribe to new shares in KarmanEdge, Inc., a 100% owned subsidiary of Globe that will house the carved-out data center business, which has the potential to expand up to 100MW capacity in the mid to long term. Ayala’s infusion of ₱1.26 billion into KarmanEdge will be an investment in a joint venture given its 10% stake. Globe will book a dilution gain on March 31, 2022, the infusion date of STT GDC and Ayala. The capital infusion by the new partners will result in a post-money valuation in the range of US\$350 million. Post execution of the share subscription agreement, Globe will remain the largest shareholder with 50%, followed by STT GDC with 40%, and Ayala taking up the 10% balance. The transaction was completed on March 31, 2022.

On March 10, 2022 and April 29, 2022, the Board and the shareholders of the Company respectively approved the amendment to the third article of the Company’s articles of incorporation to change the Company’s principal office address from 32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Metro Manila, Philippines to 37F to 39F Ayala Triangle Gardens Tower 2, Paseo de Roxas cor Makati Avenue, Makati City 1226, Philippines.

On March 18, 2022, Ayala disclosed that the Department of Public Works and Highways (“DPWH”) had given its consent to the spinoff of the Muntinlupa-Cavite Expressway (“MCX”) Project from Ayala to MCX Project Company, Inc. (“MCXPCI”), the special purpose corporation that will hold the Concession Assets, Rights and Obligations under the Concession Agreement for the MCX Project. Ayala had earlier signed on December 6, 2021 an investment agreement with Prime Asset Ventures, Inc. (“PAVI”) of the Villar Group for the sale of Ayala’s 100% ownership stake in MCXPCI, subject to several conditions precedent including the consent of the DPWH. The sale of MCXPCI is aligned with Ayala’s strategic priority to realize value from certain non-core assets and sharpen its focus on the continued expansion of its core businesses in real estate, banking, telecommunications, and power, and scaling up its emerging businesses in healthcare and logistics. A consideration of P3.8 billion shall be paid to Ayala in two tranches: (a) P3.2 billion upon financial close; and (b) P581 million upon lapse of Ayala’s lockup period as prescribed under the MCX CA. Financial close of the transaction is subject to securing consents of the DPWH for: (a) transfer of the concession assets and obligation under the MCX CA from Ayala to MCXPCI; (b) transfer of Class A Common shares from Ayala to PAVI; and (c) redemption of preferred shares held by Ayala in MCXPCI. The DPWH’s consent to letter (a) was secured on March 10, 2022.

On March 23, 2022, Ayala and FMI agreed to restructure the convertible loan disbursed to FMI, through VIP Infrastructure Holdings Pte. Ltd. (“VIP Infrastructure”), into a perpetual loan by executing: (a) a Restructured Loan Agreement, whereby the loan will be automatically converted to shares in FMI at the fixed price of MMK15,000 when certain conditions are met, including the 7-day volume weighted average price of a Share of the FMI being equal to or greater than MMK15,000, which is the issue price for the shares; and (b) a Termination Agreement with respect to the Convertible Loan. Following the execution of the documents, Ayala shall retain its rights under the Convertible Loan Agreement.

On April 18, 2022, the Board approved the declaration of the second quarter cash dividends on the Company’s outstanding Preferred “B” Series 1 Shares (“ACPB1”) amounting to ¼ of 5.2500% per annum, or ₱6.56250 per share, based on the issue price of the shares. The record date is May 2, 2022, and payment date is on May 15, 2022.

On April 20, 2022, the Board approved the declaration of the annual cash dividends on the Company’s outstanding unlisted voting preferred shares amounting to 5.7730% of issue price, or ₱0.05773 per share. The record date is May 4, 2022, and payment date is on May 20, 2022.

On April 29, 2022, the Board, during its organizational board meeting approved the following matters:

- The declaration of the second quarter cash dividends on outstanding Preferred “B” Series 2 Shares (“APB2R”) amounting to ¼ of 4.8214% per annum, or ₱6.02675 per share, based on the issue price of the shares. The record date is May 13, 2022, and payment date is on May 29, 2022.
- The acquisition of 1,861,000,000 common shares of ACEN from ACEIC, a wholly owned subsidiary of the Company, via a block sale at prevailing market prices (“AC-ACEIC Transaction”). This transaction was completed on May 10, 2022 at the purchase price of ₱7.60 per ACEN share.
- The declaration of property dividends consisting of the ACEN shares acquired from ACEIC to

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the Company's common shareholders at a ratio of three (3) ACEN shares per one (1) Ayala common share, subject to: (a) completion of the AC-ACEIC Transaction, and (b) applicable regulatory approvals. Record date is on May 27, 2022, with payment date to be determined by the Ayala management after applicable regulatory approvals have been obtained.

- The 2022 stock option program pursuant to the Company's Employee Stock Ownership Plan (the "Plan"), authorizing the grant to seventy-one (71) executives, in accordance with the terms of the Plan, stock options covering up to a total of 483,145 common shares at a subscription price of ₱749.55 per share, which is the rounded off volume-weighted average prices of the common shares at the PSE over the last 5-day trading days from April 22, 2022 to April 28, 2022.
- The election of Ms. Rizalina G. Mantaring as lead independent director vice Mr. Antonio Jose U. Periquet.
- The election of the following key officers:

Fernando Zobel de Ayala	- President and Chief Executive Officer (CEO)
Jose Rene Gregory D. Almendras	- Senior Managing Director, Public Affairs Group Head
Alberto M. de Larrazabal	- Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head
John Eric T. Francia	- Senior Managing Director
Arthur R. Tan	- Senior Managing Director
Alfredo I. Ayala	- Managing Director
Paolo Maximo F. Borromeo	- Managing Director and Corporate Strategy and Development Group Head
Solomon M. Hermosura	- Managing Director, Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head
Ruel T. Maranan	- Managing Director
Catherine H. Ang	- Executive Director and Chief Audit Executive
Estelito C. Biacora	- Executive Director and Treasurer
Josephine G. De Asis	- Executive Director and Controller
Rosario Carmela G. Austria	- Assistant Corporate Secretary

The Board and the shareholders of the Company elected the following individuals to the Board effective April 22, 2022:

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Cezar P. Consing
Delfin L. Lazaro
Rizalina G. Mantaring (Independent Director)
Chua Sock Koong (Independent Director)
Cesar V. Purisima (Independent Director)

Mr. Purisima and Ms. Sock Koong replaced Messrs. Antonio Jose U. Periquet and Keiichi Matsunaga, respectively.

Cesar V. Purisima, Filipino, 61, has been an Independent Director of the Company since April 29, 2022. He has been an Independent Director of ALI since April 18, 2018. He is an Asia Fellow of Milken Institute, a global non-profit, non-partisan think tank. He is a founding partner at IKHLAS Capital, a pan-ASEAN private equity platform. He currently serves as Independent Director of other publicly-listed companies, namely: Bank of the Philippine Islands, Jollibee Foods Corporation, and Universal Robina Corporation. He is also a member of the boards of AIA Group, BPI Capital Corporation, De La Salle University, International School of Manila, and World Wildlife Fund-Philippines. He is a member of the board of advisors of ABS-CBN. He is a member of Sumitomo Mitsui Banking Corporation's Global Advisory Council and Singapore Management University's International Advisory Council in the Philippines. From 2010 to 2016, Purisima was the Secretary of Finance of the Philippines and the Chair of Economic Development Cluster of the President's Cabinet. He briefly served as Finance Secretary in 2005 and Trade and Industry Secretary from 2004 to 2005. Additionally, he was a member of the Monetary Board of the Philippines Central Bank, and the Governor for the Philippines at the Asian

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Development Bank and the World Bank. He served as Alternate Governor for the Philippines at the International Monetary Fund. Under his leadership, the Philippines received its first investment-grade ratings. He was named Finance Minister of the Year seven times in six consecutive years by a number of publications, a first for the Philippines. Prior to his stints in the government service, he was the Chairman & Country Managing Partner of the Philippines' largest professional services firm SGV & Co., and was a member of the Global Executive Board and Global Practice Council of Ernst & Young. He obtained his Bachelor of Science degree in Commerce Major in Accounting and Financial Institutions from De La Salle University in 1979. He earned his Master of Business Administration degree from Kellogg School of Management, Northwestern University, Illinois in 1983. He was conferred a Knight in the National Order of the Legion of Honour by the French Republic (Chevalier dans l'Ordre National de la Legion d'Honneur) in 2017. In 2016, Purisima was awarded the Order of Lakandula with the rank of Grand Cross (Bayani) for his contributions to the Philippine economy. The Order of Lakandula is one of the highest civilian honors conferred by the President of the Republic of the Philippines.

Chua Sock Koong, Singaporean, 64, has been an Independent Director of the Company since April 29, 2022. She is Senior Advisor at Singapore Telecommunications Limited, Asia's leading communications technology group, having served as its Group Chief Executive Officer for thirteen (13) years until December 31, 2020. She sits on the boards of Bharti Airtel Limited, Bharti Telecom Limited, the Defence Science and Technology Agency and Cap Vista Pte Ltd. She is also a Director of Prudential plc and Member of the Supervisory Board of Royal Philips. She is Deputy Chairman of the Public Service Commission and a member of the Council of Presidential Advisers. She was conferred the Medal of Commendation (Gold) at NTUC May Day Awards 2016 and the Public Service Star (BBM) at Singapore's 2019 National Day Awards. She holds a Bachelor of Accountancy (First Class Honours) from the University of Singapore. She is a Fellow Member of the Institute of Singapore Chartered Accountants and a CFA charter holder.

Future Plans and Prospects

2021 continued to be a challenging year for the Philippines as the COVID-19 pandemic widened its spread. Quarantine measures throughout the year fluctuated with the rise and fall of daily infections, affecting the flow of mobility, business operations, and social activity. Despite the volatility, enterprises and individuals alike grew more accustomed to such circumstances, resulting in a generally more stable and predictable economic environment over the year. This was helped in large part by an improvement in vaccination rates when the government's inoculation program kicked off in March. By the end of the year, over half of the Philippine population was vaccinated.

The improvement in the country's health response and inoculation rate was evident in economic growth. Gross Domestic Product ("GDP") grew by 5.6% last year, reversing from a 9.6% decline in 2020 despite the higher number of COVID-19 cases in 2021. As both individuals and enterprises adopted to the consequences of the pandemic, mobility improved and so did business stability. By the final quarter of the year, mobility levels in the country returned to their pre-pandemic levels and GDP growth was at 7.7%. That said, the Company acknowledges the pervading risks, perhaps foremost of which is the present conflict between Russia and Ukraine. The Company is keenly monitoring its impact and is watchful of how this could affect the momentum of recovery, particularly in the form of rising oil prices, its effect on interest rates, exchange rates, and inflation, and ultimately, disposable income and consumption. The BPI Global Market team categorized its outlook into central, moderate, and adverse scenarios that correspond to the average West Texas Intermediate ("WTI") oil price per barrel at US\$75, US\$100, and US\$115. Depending on the average price at year-end, it expects a real GDP growth for 2022 of 7.3%, 5.7%, and 4.6%, respectively.

A trend the Company has seen strengthen throughout the year is the adoption of digitalization. Both consumers and businesses have turned to digital channels to improve business continuity amidst restricted mobility. While quarantine measures have eased, Ayala has seen a stickiness in the use of digital channels, which it expects to continue. Enterprises are focusing their efforts on driving activity to the digital front as digital adoption has become ingrained in consumer behavior.

Another notable area of strength in 2021 was remittances which remained robust despite the infection surges experienced throughout the year; the annual tally hit an all-time high of US\$34.1 billion. On a related note, Ayala sees the USD/PHP rate breaching the ₱52.8 level in 2022 as imports recover with

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improving consumption on a central case scenario. BPI Global Markets expects this to move up to ₱53.7 and ₱54.5 for moderate and adverse cases, respectively.

With support to businesses critical at this point, the *Bangko Sentral ng Pilipinas* (“BSP”) has kept interest rates at their record low of 2.00%. However, as economic conditions improve and to temper inflation, BPI Global Markets expects three rate hikes coming in this year in a central scenario, bringing interest rate to 2.75%. However, it anticipates bigger rate hikes following moderate and adverse scenarios, which correspond to year-end rates to be at 3.25% and 3.50%, respectively. Alongside this, it sees a percentage point cut to the required reserve ratio, bringing the figure to 11% from the current 12%.

In this light, Ayala has budgeted a total of ₱285 billion in capital expenditures this year, 25% higher than what was deployed in 2021. With guarded optimism, we hope that looser quarantine restriction today will help boost our path towards recovery, but at the same time are cognizant of the risks that the current geopolitical landscape, particularly the conflict between Russia and Ukraine, may bring.

Ayala maintains a healthy balance sheet with access to various funding options to meet requirements. A robust risk management system allows the Company to maximize opportunities for reinvention, and navigate the challenges faced by its business units.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth financial and operating information on Ayala. Prospective purchasers of the Bonds should read the summary financial data below together with the financial statements, including the notes thereto, presented as an Annex and the “Management’s Discussion and Analysis of Financial Condition and Results of Operation” section of this Offer Supplement.

The summary financial data as of December 31, 2021, 2020, 2019, and 2018 under columns “Audited” or “Restated” are derived from Ayala’s audited consolidated financial statements, including the notes thereto, which are found elsewhere in this Offer Supplement. These consolidated financial statements were audited by SyCip Gorres Velayo & Co. (“SGV & Co.”) in accordance with Philippine Standards on Accounting (“PSA”).

This section also includes financial and operating data with respect to Ayala’s subsidiaries - Ayala Land, IMI, and AC Energy or ACEIC (with key subsidiary ACEN), associates (BPI and Manila Water) and joint venture (Globe). This section should be read in conjunction with the financial highlights of these subsidiaries, Associates and Joint Ventures which can be accessed at these companies’ official websites.

The accounting policies adopted in the preparation of audited consolidated financial statements of the Group as of and for year ended December 31, 2021 are consistent with those followed in the preparation of the Group’s audited consolidated financial statements as of and for the year ended December 31, 2020, except for the new PFRS, amended PFRS, improvements to PFRS and interpretations which were adopted beginning January 1, 2021. The nature and the impact of each new standards and amendments are described below.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years, except for the amended PFRS and improvements to PFRS which were adopted beginning January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption of these new pronouncements did not have significant impact on the consolidated financial statements of the Group.

- **Amendment to PFRS 16, COVID-19-related Rent Concessions beyond June 30, 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.

The Group adopted the amendment beginning April 1, 2021.

- **Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2**

Summary of Financial Information

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 Group 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 Group adopted the amendments beginning January 1, 2021.

- Adoption of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since ALI has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

New standards and interpretations that have been issued but are not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

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At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- 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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between

Summary of Financial Information

the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Summary of Financial Information

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
 - What is meant by a right to defer settlement
 - That a right to defer must exist at the end of the reporting period
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Summary of Financial Information

The Group is assessing the quantitative impact of PFRS 17 as of reporting date.

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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

As discussed under Changes in Accounting Policies, the Group adopted the provision of PFRS 15 that covered its treatment of land in the determination of POC as discussed in PIC Q&A 2018-12-E. As allowed under SEC MC No. 34, the Group adopted the change under the modified retrospective approach.

SEC MC No. 34-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Costs) is not applicable to the Group as it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied.
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.

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- c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

ALI Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, ALI Group assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability, the cash flows from operations and cash flows from financing activities.

The ALI Group believes that the mismatch for its contract to sell does not constitute a significant financing component that is material to the Group based on the examples provided in the PIC letter dated November 11, 2020.

Summary of Financial Information

The following table summarizes the financial highlights of Ayala's consolidated financial position and results of operation as of and for the years ended December 31, 2021, 2020, 2019, and 2018:

CONSOLIDATED STATEMENTS OF INCOME <i>(Amounts in ₱ Thousands Except Earnings per Share)</i>	Year Ended December 31			
	(Audited) 2021¹	(Audited) 2020²	(Audited) 2019^{3,4}	(Audited) 2018^{5,6}
CONTINUING OPERATIONS REVENUE				
Rendering of Services	₱141,578,166	₱123,384,171	₱129,911,395	₱120,229,030
Sale of goods	84,013,760	70,238,264	134,995,139	136,662,257
Share in net profits of associates and joint ventures	23,384,709	17,615,774	22,344,352	19,760,662
Interest income from real estate	6,801,012	8,602,775	7,890,972	7,042,078
Dividend income	70,921	83,575	122,903	106,803
	255,848,568	219,924,559	295,264,761	283,800,830
COSTS AND EXPENSES				
Cost of sales and services	175,894,767	144,181,349	189,983,258	189,706,638

¹ The consolidated financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting relief on the accounting for significant financing components issued and approved by the SEC in response to the COVID-19 pandemic.

The Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

² The consolidated financial statements have been prepared in compliance with PFRS, which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019, to defer the implementation of the following pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, Revenue from Contracts with Customers affecting the real estate industry.

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

- Treatment of land in the determination of the percentage-of-completion
- Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04)
- Treatment of uninstalled materials in the determination of the PCO (as amended by PIC Q&A 2020-02); and
- Accounting for Common Usage Service Area (CUSA) Charges

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of PIC Q&A 2018-12 and the IFRIC Agenda Decision on Borrowing Cost, for another three (3) years or until December 31, 2023.

³ The consolidated financial statements have been prepared in compliance with PFRS, which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 for the following implementation issues of PFRS 15 affecting the real estate industry:

- Exclusion of land and uninstalled materials in the determination of percentage of completion discussed in PIC Q&A No. 2018-12-E
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
- Adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estates Sales

⁴ Ayala Group adopted PFRS 16, Leases using modified retrospective approach of adoption with the initial date of application of January 1, 2019. Amounts presented in the consolidated statements of financial position and consolidated statements of income as at and for the year ended December 31, 2018 are based on PAS 17, Leases (superseded by PFRS 16). The comparative financial information for accounts affected by the adoption of PFRS 16 may not be comparable to the information presented for 2019 and 2020. Please refer to Note 3 of Ayala Group's audited consolidated financial statements as at December 31, 2019 and 2018 and for each of the three year in the period ended December 31, 2019, which are included as an Annex to this Offer Supplement, for the effect of the adoption of PFRS 16.

⁵ The consolidated financial statements have been prepared in compliance with PFRS, which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 for the following implementation issues of PFRS 15 affecting the real estate industry:

- Exclusion of land and uninstalled materials in the determination of percentage of completion discussed in PIC Q&A No. 2018-12-E
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
- Adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estates Sales

⁶ Ayala Group adopted PFRS 9, Financial Instruments and PFRS 15, Revenue from Contracts with Customers using modified retrospective approach of adoption with the initial date of application of January 1, 2018. Please refer to Note 3 of Ayala Group's audited consolidated financial statements as of December 31, 2018 and for each of the three year in the period ended December 31, 2018, which are included as an Annex to this Offer Supplement, for the effect of the adoption of PFRS 9 and PFRS 15.

Summary of Financial Information

CONSOLIDATED STATEMENTS OF INCOME <i>(Amounts in ₱ Thousands Except Earnings per Share)</i>	Year Ended December 31			
	(Audited)	(Audited)	(Audited)	(Audited)
	2021 ¹	2020 ²	2019 ^{3,4}	2018 ^{5,6}
General and administrative	30,301,486	32,326,129	32,112,815	25,956,728
	206,196,253	176,507,478	222,096,073	215,663,366
OTHER INCOME (CHARGES)				
Interest income	5,077,847	3,183,823	3,352,308	2,293,765
Other income	15,121,681	6,125,806	32,288,490	9,198,888
Interest and other financing charges	(27,089,924)	(28,014,198)	(22,409,526)	(17,378,936)
	(6,890,396)	(18,704,569)	13,231,272	(5,886,283)
INCOME BEFORE INCOME TAX PROVISION FOR INCOME TAX	42,761,919	24,712,512	86,399,960	62,251,181
Current	6,575,514	5,887,920	13,717,739	14,297,198
Deferred	(1,663,819)	(648,740)	266,398	(929,997)
	4,911,695	5,239,180	13,984,137	13,367,201
NET INCOME AFTER TAX	₱37,850,224	₱19,473,332	₱72,415,823	₱48,883,980
OPERATIONS OF THE SEGMENT UNDER PFRS 5				
Net Income (loss) after tax	(1,814,033)	9,797,011	(30,433,493)	6,181,134
NET INCOME	₱36,036,191	₱29,270,343	₱41,982,330	₱55,065,114
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent	₱27,774,183	₱17,141,714	₱35,279,330	₱31,817,721
Non-controlling interests	8,262,008	12,128,629	6,703,000	23,247,393
	₱36,036,191	₱29,270,343	₱41,982,330	₱55,065,114
EARNINGS PER SHARE BEFORE OPERATIONS OF THE SEGMENT UNDER PFRS 5				
Basic	₱43.33	₱17.04	₱79.37	₱43.74
Diluted	₱43.17	₱16.96	₱79.12	₱43.31
EARNINGS PER SHARE				
Basic	₱42.58	₱25.33	₱54.12	₱48.80
Diluted	₱42.42	₱25.24	₱53.93	₱48.35

Summary of Financial Information

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION <i>(Amounts in ₱ Thousands)</i>	As of December 31			
	(Audited)	(Audited)	(Audited)	(Audited)
	2021 ¹	2020 ²	2019 ^{3,7}	2018 ^{5,8}
ASSETS				
Current Assets				
Cash and cash equivalents	₱90,483,909	₱88,653,956	₱93,405,253	₱60,624,263
Short-term investments	930,938	822,410	13,387,801	5,956,489
Accounts and notes receivable	145,075,394	137,094,187	130,868,711	153,991,583
Inventories	166,406,837	160,871,941	135,064,303	120,560,493
Other current assets	81,941,737	74,314,892	66,092,669	61,464,473
	484,838,815	461,757,386	438,818,737	402,597,301
Assets under PFRS 5	12,433,522	196,136,570	170,466,694	10,162,121
Total Current Assets	497,272,337	657,893,956	609,285,431	412,759,422
Noncurrent Assets				
Noncurrent accounts and notes receivable	83,301,217	57,382,232	55,720,290	41,803,297
Investments in associates and joint ventures	294,063,019	255,007,953	246,731,276	240,140,558
Investment properties ⁹	246,806,097	226,456,967	246,732,338	227,645,548
Property, plant and equipment (see footnote 9)	96,682,935	94,537,980	88,781,755	104,492,357
Right-of-use assets	20,996,946	19,812,516	18,220,572	–
Service concession assets	1,481,976	1,556,241	1,638,516	98,404,486
Intangible assets	22,128,005	19,624,573	16,625,926	16,553,369
Deferred tax assets	16,294,100	14,634,045	14,246,325	15,546,040
Other noncurrent assets	69,959,308	58,851,529	47,303,529	40,580,542
Total Noncurrent Assets	851,713,603	747,864,036	736,000,527	785,166,197
Total Assets	₱1,348,985,940	₱1,405,757,992	₱1,345,285,958	₱1,197,925,619
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term debt	₱34,712,039	₱32,439,507	₱29,788,643	₱39,518,245
Accounts payable and accrued expenses	168,750,801	177,315,357	195,416,247	204,758,244
Income tax payable	803,495	1,907,146	2,396,901	3,406,921
Current portion of:				
Long-term debt	31,493,713	36,514,381	23,878,725	48,480,559
Lease liabilities	2,110,226	1,445,492	1,028,067	–
Service concession obligation	40,069	19,880	13,607	820,802
Other current liabilities	30,184,417	26,596,440	28,647,050	32,042,812
	268,094,760	276,238,203	281,169,240	329,027,583
Liabilities under PFRS 5	–	124,291,482	121,487,625	1,075,272
Total Current Liabilities	268,094,760	400,529,685	402,656,865	330,102,855

⁷ Ayala adopted PFRS 16, Leases using modified retrospective approach of adoption with the initial date of application of January 1, 2019. Amounts presented in the consolidated statements of financial position and consolidated statements of income as at and for the year ended December 31, 2018 are based on PAS 17, Leases (superseded by PFRS 16). The comparative financial information for accounts affected by the adoption of PFRS 16 may not be comparable to the information presented for 2019 and 2020. Please refer to Note 3 of Ayala's audited consolidated financial statements as at December 31, 2019 and 2018 and for each of the three year in the period ended December 31, 2019, which are included as an Annex to this Prospectus, for the effect of the adoption of PFRS 16.

⁸ Ayala adopted PFRS 9, Financial Instruments and PFRS 15, Revenue from Contracts with Customers using modified retrospective approach of adoption with the initial date of application of January 1, 2018. The comparative financial information for accounts affected by the adoption of PFRS 9 and PFRS 15 may not be comparable to the information presented for 2018, 2019 and 2020. Please refer to Note 3 of Ayala's audited consolidated financial statements as of December 31, 2018 and for each of the three year in the period ended December 31, 2018, which are included as an Annex to this Prospectus, for the effect of the adoption of PFRS 9 and PFRS 15.

⁹ The Group performs regular valuation of Investment Properties and Property, Plant and Equipment by professional independent appraiser namely: Cuervo Appraisers, Inc., Santos Knight Frank, Asian Appraisal, Colliers International and Aviso Valuation & Advisory Corp.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Amounts in ₱ Thousands)	As of December 31			
	(Audited)	(Audited)	(Audited)	(Audited)
	2021 ¹	2020 ²	2019 ^{3,7}	2018 ^{5,8}
Noncurrent Liabilities				
Long-term debt – net of current portion	412,310,822	372,800,369	351,670,789	324,262,828
Lease liabilities - net of current portion	25,503,531	22,672,228	21,353,099	–
Service concession obligation – net of current portion	60,961	66,338	52,412	7,018,211
Deferred tax liabilities - net	9,180,901	9,398,205	8,035,817	10,999,354
Pension liabilities	4,020,623	5,093,406	3,756,048	2,589,852
Other noncurrent liabilities	64,501,574	52,775,650	48,447,370	53,844,164
Total Noncurrent Liabilities	515,578,412	462,806,196	433,315,535	398,714,409
Total Liabilities	783,673,172	863,335,881	835,972,400	728,817,264
Equity				
Equity attributable to the parent company				
Paid-in Capital	86,075,527	85,613,944	84,876,225	83,361,675
Share-based payments	44,664	102,619	214,617	238,871
Remeasurement gains/(losses) on defined benefit plans	(4,798,349)	(6,351,002)	(3,117,329)	(1,299,319)
Fair value reserve of financial assets at fair value through other comprehensive income	(1,720,601)	40,792	66,917	(544,555)
Cumulative translation adjustments	1,137,912	(1,635,505)	3,234,618	2,276,669
Equity reserve	34,262,567	30,741,420	25,282,942	10,872,124
Equity – conversion option	–	–	–	1,087,015
Retained earnings	260,112,458	238,072,873	225,454,620	196,914,989
Treasury stock	(12,382,517)	(6,605,153)	(5,737,896)	(2,300,000)
Reserves under PFRS 5	–	(800,218)	(1,467,449)	–
	362,731,661	339,179,770	328,807,265	290,607,469
Non-controlling interests	202,581,107	203,242,341	180,506,293	178,500,886
Total Equity	565,312,768	542,422,111	509,313,558	469,108,355
Total Liabilities and Equity	₱1,348,985,940	₱1,405,757,992	₱1,345,285,958	1,197,925,619

RISKS OF INVESTING

An investment in the Bonds involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Offer Supplement and in pages 61-76 of the Prospectus, in deciding whether or not to invest in the Bonds.

Risks Associated with the Company and the Group

- COVID-19 risk
- Holding Company Structure risk
- Controlling shareholders risk
- Anti-trust risk
- Global macroeconomic, social and political developments risk
- Change in accounting standards risk
- Brand and Reputation Risk
- Environmental, Social and Governance (“ESG”) Risks
- Information and Cyber Security Threats

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Risks Associated with the Philippines

- Depreciation in the Value of the Peso Against Other Currencies
- Political and Social Instability
- Tensions with other countries
- Slowdown in the Economic Growth, High Inflation and Interest Rate
- Heightened Impacts of Climate Change

Risks Associated with the Bonds

A detailed discussion on the above enumerated risks appears on the “*Risk Factors*” section of the Prospectus on pages 61-76 and in the “*Risk Factors*” of this Offer Supplement, which includes additional risks or updated discussions of certain risks to those stated in the Prospectus. Accordingly, the “*Risk Factors*” of this Offer Supplement should be read in conjunction with the “*Risk Factors*” of the Prospectus.

This Offer Supplement contains forward-looking statements that involve risks and uncertainties. Ayala adopts what it considers conservative financial and operational controls and policies to manage its business risks. Ayala’s actual results may differ significantly from the results discussed in the forward-looking statements. See section “*Forward-Looking Statements*” of this Offer Supplement. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Ayala, in particular, and those that pertain to the over-all political, economic, and business environment, in general.

SUMMARY OF THE OFFERING

This Summary of the Offering relates to the second Tranche of the Bonds of Ayala's ₱30,000,000,000 Debt Securities Program, with an aggregate amount of up to Fifteen Billion Pesos (₱15,000,000,000).

The following summary of the Offer does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Bonds. It is taken from, and is qualified in its entirety by, the remainder of this Offer Supplement. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Bonds. Each prospective investor must rely on its own appraisal of the Company and the Bonds and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Bonds and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	:	Ayala Corporation
Issue	:	Fixed-rate bonds (the "Bonds") constituting the direct, unconditional, unsubordinated, and unsecured obligations of the Issuer, as the second Tranche of the Issuer's shelf registration program with an aggregate principal amount of up to Thirty Billion Pesos (₱30,000,000,000) (the "Debt Securities Program").
Fixed-rate Bond Interest	:	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrear.
Issue Amount	:	Base offer of Ten Billion Pesos (₱10,000,000,000) (the "Base Offer") with an oversubscription option of Five Billion Pesos (₱5,000,000,000) (the "Oversubscription Offer, together with the Base Offer, the "Offer") exercisable by the Joint Lead Underwriters and Bookrunners in consultation with the Issuer.

The Bonds will be issued in three (3) series consisting of:

Series C Bonds: 4.4542% p.a. due 2025
 Series D Bonds: 5.6239% p.a. due 2027
 Series E Bonds: 6.1351% p.a. due 2029

The Issuer, in consultation with the Joint Lead Underwriters and Bookrunners, has the discretion to allocate the Issue Amount to any, some, or among the Series C Bonds, Series D Bonds, and Series E Bonds, or may opt to allocate the entire Issue Amount to just one series.

Use of Proceeds	:	To refinance certain Philippine peso-denominated obligations, partially finance capital expenditures, and for general corporate purposes
Issue Price:	:	The Bonds will be issued at 100% of face value.
Joint Issue Managers	:	BPI Capital Corporation ("BPI Capital") and BDO Capital & Investment Corporation ("BDO Capital")
Joint Lead Underwriters and Bookrunners	:	BPI Capital BDO Capital China Bank Capital Corporation ("China Bank Capital") First Metro Investment Corporation ("First Metro") SB Capital Investment Corporation ("SB Capital")

Summary of the Offering

- Denomination of the Bonds : Minimum of ₱50,000 face value and in increments of ₱10,000
- Offer Period : The Offer Period will commence at 9:00 a.m. on May 12, 2022 and end at 5:00 p.m. on May 18, 2022, or on such other date as the Issuer and the Joint Lead Underwriters and Bookrunners may agree upon.
- Issue Date : May 26, 2022, or if such date is not a Business Day, then the next succeeding Business Day (with corresponding adjustments to payment dates but without adjustment to the interest periods or amounts due) or such other date as may be agreed upon by the Issuer and the Joint Lead Underwriters and Bookrunners, with advice to the SEC, PDTC and PDEx.
- Maturity Date : Series C Bonds: the date falling three (3) years after the Issue Date
Series D Bonds: the date falling five (5) years after the Issue Date
Series E Bonds: the date falling seven (7) years after the Issue Date
- provided that, in the event that such Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be the immediately succeeding Business Day, without adjustment to the amount of interest and principal to be paid.
- Interest Payment Date : August 26, 2022 for the first Interest Payment Date and August 26, November 26, February 26, and May 26 of each year for each subsequent Interest Payment Date, or the subsequent Business Day if such date is not a Business Day, during which any of the relevant Bonds are outstanding, until and including the Maturity Date (each, an "Interest Payment Date"), provided that if the Issue Date is set at a date other than May 26, 2022, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due. Interest on the Bonds shall be calculated on a 30/360-day count basis.
- Interest Period : The period commencing on the Issue Date and having a duration of three months and, thereafter, each successive three (3)-month period commencing on the last day of the immediately preceding Interest Period up to, but excluding the first day of the immediately succeeding Interest Period, but in the case of the last Interest Period, it will be the period from and including the last day of the immediately preceding Interest Period up to, but excluding, the Maturity Date.
- Call Option : Prior to the Maturity Date of the Bonds, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds on the Interest Payment Dates indicated below (the "Call Option Dates"), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Series C Bonds
No Call Option

Summary of the Offering

Series D Bonds	
Call Option Dates	Call Option Price
12 th to 15 th Interest Payment Date	101.00%
16 th to 19 th Interest Payment Date	100.50%

Series E Bonds	
Call Option Dates	Call Option Price
16 th to 19 th Interest Payment Date	102.00%
20 th to 23 rd Interest Payment Date	101.00%
24 th to 27 th Interest Payment Date	100.50%

The amount payable to the Bondholders in respect of such redemption shall be calculated as the sum of (i) the Call Option Price applied to the principal amount of the then outstanding Series D Bonds and Series E Bonds being redeemed, and (ii) all accrued interest on the Series D Bonds and Series E Bonds as of the Call Option Date.

Should the Issuer elect to exercise a Call Option, it shall do so by delivery of an original and three (3) copies of a notice of such exercise to the Trustee, submitted during business hours on a date no earlier than sixty (60) days and no later than thirty (30) days prior to the Call Option Date. Once executed, completed, and delivered to the Trustee, a Call Option notice is irrevocable.

Upon receipt of a Call Option notice fully complying with the Terms and Conditions, the Trustee shall notify the Bondholders thereof by transmitting such notice through any of the means prescribed under Paragraph 22(b) of the Terms and Conditions. Notwithstanding anything to the contrary, in the event the Issuer has notified the Trustee that it will exercise the Call Option, any interest payment due on the Interest Payment Date immediately preceding the Call Option Date shall be paid on such Call Option Date.

Negative Pledge	:	The Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens.
Status of the Bonds	:	The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of Ayala Corporation and shall at all times rank <i>pari passu</i> and ratably without any preference or priority amongst themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Ayala's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.
Final Redemption	:	Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on the Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the Maturity Date is not a Business

Summary of the Offering

Day.

Redemption for Taxation Reasons	:	If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par plus accrued interest, net of applicable withholding taxes.
Redemption by Reason of Change in Law or Circumstance	:	Upon the occurrence of a Change in Law or Circumstance, the Issuer may redeem the Bonds in whole, but not in part, having given not more than sixty (60) days' nor less than thirty (30) days' written notice to the Trustee, the Registrar and the Paying Agent, at par or 100% of the face value, and paid together with accrued interest thereon.
Trustee	:	Metropolitan Bank & Trust Company – Trust Banking Group
Listing	:	The Issuer intends to list the Bonds at the Philippine Dealing & Exchange Corp. on the Issue Date.
Issue Rating	:	The Bonds are rated PRS Aaa with a Stable Outlook by PhilRatings.

DESCRIPTION OF THE BONDS

The following is a description of certain terms and conditions of the Bonds. This description of the terms and conditions of the Bonds set forth herein does not purport to be complete and is qualified in its entirety by reference to the agreements relating to the Bonds, copies of which are available for inspection at the offices of the Trustee. The terms and conditions set out in this section will, subject to amendment, be set out in the Trust Indenture between the Issuer and the Trustee.

The Bonds covered by this Offer Supplement and described below are the second Tranche under the ₱30,000,000,000 Debt Securities Program that was authorized by resolutions of the Board of Directors of the Company dated June 22, 2017, September 22, 2020, and March 10, 2022. A registration statement filed by the Company covering the Debt Securities Program was rendered effective by the SEC by its order dated May 12, 2021. For the first Tranche of the Debt Securities Program consisting of fixed-rate bonds in aggregate amount of ₱10,000,000,000, a certificate of permit to offer securities for sale ("SEC Permit") of such bonds was issued on May 12, 2021. Pursuant to the confirmation and certificate of permit to offer securities for sale by the SEC, the second Tranche of the Bonds will be issued in aggregate amount of ₱15,000,000,000 which is comprised of a base offer of up to ₱10,000,000,000 (the "Base Offer") and an oversubscription option of ₱5,000,000,000 (the "Oversubscription Option", together with the Base Offer, the "Offer") consisting of 4.4542% Series C Bonds due 2025 ("Series C Bonds"), 5.6239% Series D Bonds due 2027 ("Series D Bonds"), and 6.1351% Series E Bonds due 2029 (the "Series E Bonds", together with the Series C and Series D Bonds, the "Bonds" or the "Issue") under this Offer Supplement.

The Bonds are constituted by a Trust Indenture executed on May 05, 2022 (the "Trust Indenture") between the Issuer and Metropolitan Bank & Trust Company – Trust Banking Group (the "Trustee", which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture). The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture and the Registry and Paying Agency Agreement executed on May 05, 2022 (the "Registry and Paying Agency Agreement") among the Issuer, the Registrar, and the Paying Agent.

PDTC has no interest in or relation to Ayala which may conflict with its roles as Registrar and as Paying Agent for the Offer. Metropolitan Bank & Trust Company – Trust Banking Group has no interest in or relation to Ayala which may conflict with its role as Trustee for the Offer. BPI is an affiliate of Ayala and the parent company of BPI Capital Corporation, one of the Joint Lead Underwriters and Bookrunners. Metropolitan Bank & Trust Company – Trust Banking Group is an affiliate of First Metro, one of the Joint Lead Underwriters and Bookrunners.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Registrar. The holders of the Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) Form and Denomination

The Bonds are in scripless form, and shall be issued, in denominations of Fifty Thousand Pesos (₱50,000) each, as a minimum, and in multiples of Ten Thousand Pesos (₱10,000) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000) in the secondary market.

(b) Title

The beneficial interest to the Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from a transferor to the transferee in the Register of Bondholders maintained by the

Description of the Bonds

Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) Bond Rating

The Bonds have been rated PRS Aaa, with a Stable Outlook, by PhilRatings on April 8, 2022. PRS Aaa is the highest credit rating on PhilRating's long-term issue credit rating scale. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. On the other hand, an outlook is an indication as to the possible direction of any rating change within a one-year period, and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A Stable Outlook is defined as: "The rating is likely to be maintained or to remain unchanged in the next twelve (12) months."

PhilRatings' credit ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to Ayala and may change the ratings at any time, should circumstances warrant a change. The rating is subject to annual review, or more frequently as market developments may dictate, for as long as the relevant Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

2. Transfer of the Bonds

(a) Register of Bondholders

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas*, the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system (at the cost of the Issuer). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as at the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Bonds may be made during the period intervening and commencing on a Record Date and the relevant Interest Payment Date, both terms as defined in the section on "*Interest Payment Date*".

(b) Transfers; Tax Status

Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a Business Day, provided however that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on the PDEX trading system, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories" refer to the three (3) final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities, and 25% tax-withheld entities. This restriction shall be in force until a non-restricted trading & settlement environment for corporate securities is implemented.

A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Issuer, within three (3) Business Days from settlement date: (i) a written notification of the sale or purchase, including the tax status of the selling or buying party, and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed against the Issuer on account of such transfer, together with the supporting documents specified under the Registry and Paying Agency

Description of the Bonds

Agreement.

Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if/and or when allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC.

(c) Registrar

For transfers and record updates, notices and communication with the Registrar may be made thru the following:

Philippine Depository & Trust Corp.
29th Floor, BDO Equitable Tower, Paseo de Roxas
Makati City

Telephone No: (632) 8884-4425
Fax No: (632) 8230-3346
E-mail: josephine.delacruz@pds.com.ph
Attention: Josephine Dela Cruz, Director – Securities Services

(d) Secondary Trading of the Bonds

The Issuer intends to list the Bonds in PDEX for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000 as a minimum, and in multiples of ₱10,000 in excess thereof for as long as any of the Bonds are listed on PDEX. Secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, and guidelines governing trading and settlement between Bondholders of different tax status and shall be subject to the relevant fees of PDEX and PDTC.

3. Ranking

The Bonds constitute direct, unconditional, unsubordinated, and unsecured Peso-denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Ayala's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

4. Interest

(a) Interest Payment Dates

The Bonds bear interest on their principal amount from and including Issue Date at the fixed rate of 4.4542% per annum for the Series C Bonds, 5.6239% per annum for the Series D Bonds, and 6.1351% per annum for the Series E Bonds, payable quarterly in arrear on August 26, November 26, February 26, and May 26 of each year while the Bonds are outstanding (each of which, for purposes of this section is an "Interest Payment Date") commencing on August 26, 2022, until and including the Maturity Date, provided that if the Issue Date is set at a date other than May 26, 2022, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds.

Description of the Bonds

(b) Interest Accrual

Each Bond shall cease to bear interest, net of applicable withholding taxes, from and including the relevant Maturity Date, as defined in the discussion on “*Final Redemption*” unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*”) shall apply.

(c) Determination of Rate of Interest

The interest shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

5. Call Option

(a) Call Option

Prior to the Maturity Date of the Bonds, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds on the Interest Payment Dates indicated below (the “Call Option Dates”), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Series C Bonds	
No Call Option	

Series D Bonds	
Call Option Dates	Call Option Price
12 th to 15 th Interest Payment Date	101.00%
16 th to 19 th Interest Payment Date	100.50%

Series E Bonds	
Call Option Dates	Call Option Price
16 th to 19 th Interest Payment Date	102.00%
20 th to 23 rd Interest Payment Date	101.00%
24 th to 27 th Interest Payment Date	100.50%

The amount payable to the Bondholders in respect of such redemption shall be calculated as the sum of (i) the Call Option Price applied to the principal amount of the then outstanding Series D Bonds and Series E Bonds being redeemed and (ii) all accrued interest on the Series D Bonds and Series E Bonds as of the Call Option Date.

(b) Exercise of a Call Option

Should the Issuer elect to exercise the Call Option, it shall do so by delivery of an original and three (3) copies of a notice of such exercise to the Trustee, submitted during business hours on a date no earlier than sixty (60) days and no later than thirty (30) days prior to the Call Option Date. Once executed, completed and delivered to the Trustee, a Call Option notice is irrevocable.

Upon receipt of a Call Option notice fully complying with the Terms and Conditions, the Trustee shall notify the Bondholders thereof by transmitting such notice through any of the means prescribed under Paragraph 22(b) of the Terms and Conditions..

Notwithstanding anything to the contrary, in the event the Issuer has notified the Trustee that it will exercise the Call Option, any interest payment due on the Interest Payment Date immediately preceding the Call Option Date shall be paid on such Call Option Date.

Description of the Bonds

6. Redemption and Purchase

(a) Final Redemption

Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on their respective Maturity Dates. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if such Maturity Date is not a Business Day.

(b) Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par plus accrued interest, net of applicable withholding taxes.

(c) Redemption by Reason of Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("Change in Law or Circumstance") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Indenture and the Bonds:

- i. Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Indenture or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.
- ii. Any provision of the Trust Indenture or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Indenture or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Indenture or any other related documents.
- iii. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.
- iv. The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

Upon the occurrence of a Change in Law or Circumstance, the Issuer may redeem the Bonds in whole, but not in part, having given not more than sixty (60) days' nor less than thirty (30) days' written notice to the Trustee, the Registrar, and the Paying Agent, at par or 100% of the face value, and paid together with accrued interest thereon.

(d) Purchase and Cancellation

The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract at market price, in accordance with PDEX Rules, without any obligation to purchase

Description of the Bonds

(and the Bondholders shall not be obliged to sell) Bonds pro-rata from all the Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

7. Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the cash settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

8. Payment of Additional Amounts; Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between fifteen percent (15%) and twenty-five percent (25%) depending on the tax status of the Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

- (a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations promulgated by the BIR as may be in effect from time to time (the "Tax Code"). An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:
 - (i) a copy of the current and valid tax exemption certificate, ruling or opinion issued by the BIR (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time), addressed to the Bondholder, confirming the exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement, or amendment thereto, and certified by the Corporate Secretary of the Bondholder as being a true copy of the original on file with the Bondholder, which notarized certification indicates that: (i.a) the exemption certificate is a true copy of the original; (i.b) the original is in the possession of the Corporate Secretary of the Bondholder as the duly authorized custodian of the same; and (i.c) the Corporate Secretary of the Bondholder has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting said certification's validity, or a copy of the law of the country of domicile allowing a deemed paid tax credit in an amount to the 15% spared or waived by the Philippines duly authenticated by the Philippine embassy or, for countries that are members to the Apostille Convention, an apostilled copy of the law of the country of domicile which apostilled or authenticated copy shall be valid for one year from the date of issuance;
 - (ii) A duly notarized undertaking (substantially in the prescribed form by Ayala) executed by (ii.a) the Corporate Secretary of the Bondholder or any authorized

Description of the Bonds

representative of the Bondholder, who has personal knowledge of the exemption based on his official functions, if the Bondholder purchases the bonds or other deposit substitutes for its account, or (ii.b) the Trust Officer, if the Bondholder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the bonds or other deposit substitutes pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax;

- (iii) With respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the submitted BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the Bureau of Internal Revenue, as required under Revenue Memorandum Order No. 14-2021, (ii) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) prior to the payment of subsequent interests due, (i) three (3) originals of the submitted new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Issuer deems applicable, and (ii) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; (c) other additional documents as may be required by the Issuer or pursuant to applicable tax regulations, which shall be submitted by the Bondholder to the Issuer through the Registrar no later than the 1st day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;
- (iv) Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty relief, as required under BIR Revenue Memorandum Order No. 14-2021, including a copy of the duly submitted Application Form for Treaty Purposes, a valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent

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entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent;

- (b) Gross Receipts Tax ("GRT") under Section 121 of the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- (d) Value-added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by R.A. No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

9. Maintenance of Financial Ratios

For as long as any of the Bonds remain outstanding, the Issuer hereby covenants that it shall:

- (a) Maintain a maximum Net Debt to Equity Ratio of 3.0:1.0; and
- (b) Maintain a minimum Current Ratio of 0.5:1.0.

10. Negative Pledge

For as long as any of the Bonds remains outstanding, the Issuer covenants that the Issuer shall not, without the prior written consent of the Bondholders holding more than fifty percent (50%) of the principal amount of the Bonds then outstanding (the "Majority Bondholders"), permit any indebtedness for borrowed money to be secured by or to benefit from Security in favor of any creditor or class of creditors without providing the Bondholders with the same kind or class of Security, the benefit of which is extended equally and ratably among them to secure the Bonds; provided, however, that this restriction shall not prohibit "Permitted Liens" which are:

- (a) Any Security over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements thereof) incurred for the purpose of financing the purchase, lease or development of such asset;
- (b) Any Security constituted for any obligation or credit facility incurred for the purpose of pursuing any infrastructure project, energy project, power project or investment therein, whether such project is undertaken by the Issuer itself, by its Affiliates, and/or by the Issuer or its Affiliates with third parties, and whether the same is carried on separately from or integrated with any of the Issuer's existing business, or any Security constituted by the Issuer on its right to receive income or revenues (whether in the form of dividends or otherwise) from said projects or related investments therein;

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- (c) Any Security created for the purpose of paying current Taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty; or the validity of which is contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof and adequate reserves having been provided for the payment thereof;
- (d) Any Security to secure, in the normal course of the business of the Issuer or its Affiliates: (i) statutory or regulatory obligations; (ii) surety or appeal bonds or other obligations of like nature; (iii) bonds for release of attachment, stay of execution or injunction; (iv) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or (v) leases (including capitalized lease obligations);
- (e) Any Security: (i) imposed by law, such as carrier's, warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business and not material in amount; (ii) arising out of pledge or deposits under the workmen's compensation laws, unemployment insurance, old age pensions or other social security or retirement benefits or similar legislation; and (iii) arising out of set-off provisions in the normal course of its financing arrangements; provided that, the Bondholders hereunder shall also have to the extent permitted by applicable Law, and upon notice to the Issuer, a similar right of set-off;
- (f) Any Security in favor of banks, insurance companies, other financial institutions and Philippine Government agencies, departments, authorities, corporations or other juridical entities, which secure a preferential financing obtained by the Issuer under a governmental program, and which cover assets of the Issuer which have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding Ten Billion Philippine Pesos (₱10,000,000,000);
- (g) Any Security existing on the date of the Trust Indenture which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Indenture;
- (h) Any Security established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets or the requirements of the Bangko Sentral ng Pilipinas on loans and financial accommodations extended to directors, officers, stockholders and related interest ("DOSRI");
- (i) Any Security to be constituted on the assets of the Issuer after the date of the Trust Indenture which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Indenture or any Security for an aggregate loan accommodation not exceeding the equivalent of ten percent (10%) of the market value of the consolidated assets of the Issuer as reflected in the latest appraisal report submitted by an independent and reputable appraiser;
- (j) Any Security constituted over the investment of the Issuer in any of its Affiliates, whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of said Affiliates;
- (k) Any Security constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement (other than for borrowed money);
- (l) Any title transfer or retention of title arrangement entered into by the Issuer in the normal course of its trading activities on the counterparty's standard or usual terms;
- (m) Any Security created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency ("foreign currency") other than Philippine Pesos; or (ii) financial instruments denominated in a foreign currency owned by the Issuer, in each case solely for the purpose of securing loan facilities denominated in Philippine Pesos granted to the

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Issuer in an aggregate equivalent principal amount not exceeding the amount of the deposit or the face amount (or value) of that financial instrument;

- (n) Any Security created over cash deposits or marketable investment securities in favor of a bank or financial institution to secure any borrowed money in connection with a treasury transaction, provided that the aggregate amount of security does not at any time exceed Forty Million U.S. Dollars (US\$40,000,000) or its equivalent. For this purpose, a "treasury transaction" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management;
- (o) Any Security constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement the rights and obligations that has been assigned to such Affiliate by the Issuer; or
- (p) The assignment, transfer or conveyance by way of security (in any case without recourse) of the Issuer's right to receive any income or revenues from any asset of the Issuer not used in the ordinary course of business provided that, the constitution by the Issuer of such lien shall not cause the Issuer to exceed the financial covenants.

11. Change in Law or Circumstance

The Trustee shall, within five (5) days after the occurrence of any Change in Law or Circumstance, give to the Bondholders written notice of such default known to it, via publication in a newspaper of general circulation in Metro Manila for two (2) consecutive days as soon as practicable, indicating in the published notice that a Change in Law or Circumstance has occurred, unless the same shall have been cured before the giving of such notice.

If any one or more of the events enumerated as a Change of Law or Circumstance shall occur and be continuing for a period of thirty (30) days, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said thirty (30) day period, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without any prepayment penalty, anything contained in the Trust Indenture or in the Bonds to the contrary notwithstanding, subject to the notice requirements under the discussion on "*Notice of Default*".

12. Events of Default

The Issuer shall be considered in default under the Bonds and the Trust Indenture in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) Payment Default

The Issuer fails to pay when due and payable any amount which Ayala is obliged to pay to the Bondholders under the Trust Indenture and the Bonds, provided, that such non-payment shall not constitute an Event of Default if it is solely due to an administrative or technical cause, not attributable to the fault or negligence of the Issuer, affecting the transfer of funds despite timely payment instruction having been given by the Issuer and such payment is received by the Paying Agent within two (2) Business Days from the relevant due date.

(b) Representation/Warranty Default

Any representation and warranty of the Issuer hereof or any certificate or opinion submitted pursuant hereto proves to have been untrue, incorrect or misleading in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than fourteen (14) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Bondholders to that effect.

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(c) Other Default

The Issuer fails to perform or violates any other provisions of the Trust Indenture and the Bonds, and such failure or violation is not remediable or, if remediable, continues to be unremedied after the applicable grace period, or in the absence of such grace period, after thirty (30) days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed financial ratios, (particularly a maximum Net Debt to Equity ratio of 3.0:1.0; and a minimum Current Ratio of 0.5:1.0) and within ten (10) Business Days from the date of occurrence of said violation, with respect to any other covenant or obligation; provided that the Events of Default constituting a payment default or closure default shall not be remediable.

(d) Cross Default

The Issuer violates any term or condition of any contract executed by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any law or regulation which violation, if remediable, is not remedied by the Issuer within ten (10) Business Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Indenture and the Bonds; provided however that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds One Billion Five Hundred Million Pesos (₱1,500,000,000) or its foreign currency equivalent.

(e) Insolvency Default

There is an act of Bankruptcy vis-a-vis the Issuer and the relevant proceedings, to the extent not initiated by the Issuer, shall not have been reversed or stayed within a period of sixty (60) days or such longer period as the Issuer satisfies the Bondholders is appropriate under the circumstances.

(f) Judgment Default

Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of Five Hundred Million Pesos (₱500,000,000) or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

(g) Writ and Similar Process Default

Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of the Issuer's assets, business or operations and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within thirty (30) calendar days after its issue or levy.

(h) Closure Default

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or force majeure.

13. Notice of Default

The Trustee shall, within five (5) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, via publication in a newspaper of general circulation in Metro Manila for two (2) consecutive days as soon as practicable, indicating in the

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published notice that an Event of Default has occurred, unless the same shall have been cured before the giving of such notice.

14. Consequences of Default

- (a) If any one or more of the Events of Default shall have occurred and be continuing, the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or if by the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds, all accrued interest, fees and other charges thereon, if any, to be immediately due and payable.
- (b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default (as described in Condition 12(g) of the Terms and Conditions), the Majority Bondholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such declaration made by the Trustee pursuant to a consequence of default, and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; provided that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.
- (c) At any time after any Event of Default shall have occurred, the Trustee may:
 - (i) by notice in writing to the Issuer, require the Registrar and Paying Agent to:
 - (aa) hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or
 - (bb) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided that, such notice shall be deemed not to apply to any document or record which the Registrar and Paying Agent is not obliged to release by any law or regulation;
 - (ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee, with effect from the issue of any such notice until such notice is withdrawn, proviso (bb) above and the Issuer's positive covenant to pay principal and interest on the Bonds, more particularly set forth in Section 4.1(a) of the Trust Indenture, shall cease to have effect.

In case any amount payable by the Issuer under the Bonds, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay Penalty Interest on the defaulted amount(s) from the time the amount falls due until it is fully paid.

15. Penalty Interest

Upon the occurrence and during the continuance of any Event of Default, the Issuer shall pay interest on all amounts then due under and owing to the Bondholder under the Trust Indenture and the Bonds, including, but not limited, to the unpaid principal amount and any interest thereon, at a rate equal at all times to six percent (6%) per annum above (the "Penalty Interest"), and in addition to, the Interest Rate, computed on the actual number of days from and including the date on which the said amount/s became due until full payment thereof on a year of 360 days.

16. Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on

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the overdue principal and with Penalty Interest as described above, and in addition thereto, the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default under Condition 12 (Events of Default), Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Bonds to the Trustee.

17. Application of Payments

Any money collected or delivered to the Paying Agent as a Consequence of Default, and any other funds held by it, subject to any other provision of the Trust Indenture and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first*, to the payment to the Registrar and Paying Agent and to the Trustee, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second*, to the payment of the Penalty Interest; *third*, to the payment of the whole amount then due and unpaid upon the Bonds for interest; *fourth*, to the payment of the whole amount then due and unpaid upon the Bonds for principal; and *fifth*, the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

18. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

19. Remedies

All remedies conferred by the Trust Indenture to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to Condition 20 (Ability to File Suit).

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

20. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Indenture to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder unless (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or

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more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Indenture to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

21. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may on behalf of the Bondholders waive any past default except the events of default defined as a payment default, breach of representation or warranty default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

22. Trustee; Notices

(a) Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Indenture and this Offer Supplement and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Metropolitan Bank & Trust Company – Trust Banking Group
Attention:	Mary Grace P. Gatchallan
Subject:	Ayala Corporation Bonds due 2025, 2027 and 2029
Address:	16th Floor Metrobank Center 35th Street corner 7th Street Bonifacio Global City, Taguig City
E-mail address:	grace.gatchallan@metrobank.com.ph
Telephone Number	88575625

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

(b) Notice to the Bondholders

The Trustee shall send all Notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient and binding when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) one-time publication in a newspaper of general circulation in the Philippines; (iv) personal delivery to the address of record in the Register of Bondholders; or (v) registered e-mail address of the Bondholder. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication; (iv) on date of delivery, for personal delivery; or (v) on the date of the e-mail transmission, for delivery through the registered e-mail address.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the Securities and Exchange Commission on a matter relating to the Bonds shall be deemed a notice to Bondholders of said matter on the date of the first publication.

(c) Binding and Conclusive Nature

Except as provided in the Trust Indenture, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the

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Trustee for the purposes of the provisions of the Trust Indenture, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all the Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture.

23. Duties and Responsibilities of the Trustee

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture. The Trustee shall, in accordance with the terms and conditions of the Trust Indenture, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Indenture. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.
- (b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Indenture, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.
- (c) None of the provisions contained in the Terms and Conditions, the Prospectus or this Offer Supplement shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

24. Resignation and Change of Trustee

- (a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Issuer and to the Bondholders of such resignation.
- (b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is the Majority Bondholders, not the Issuer, that shall appoint the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide holder for at least six (6) months (the "*Bona Fide* Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.
- (c) Subject to Section (f) below, a successor Trustee must possess all the qualifications required under pertinent laws.
- (d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom

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remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any *Bona Fide* Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.

- (e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders.
- (f) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions in the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Indenture; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Indenture (the "Resignation Effective Date"); provided however that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "Holdover Period"), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.

25. Successor Trustee

- (a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.
- (b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

26. Reports to the Bondholders

- (a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as at December 31 of the immediately preceding year with respect to:
 - (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and
 - (ii) any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

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- (b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.
- (c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:
 - (i) Trust Indenture
 - (ii) Registry and Paying Agency Agreement
 - (iii) Articles of Incorporation and By-Laws of the Company
 - (iv) Registration Statement of the Company with respect to the Bonds

27. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or on behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

- (i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

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- (ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as at the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

(f) Voting Requirement

Except as provided in Condition 31 (Amendments), all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous.

(g) Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

28. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

29. Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

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30. Amendments

The Issuer and the Trustee may amend or waive any provisions of the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the Terms and Conditions of the Bonds with notice to every Bondholder following the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds) or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

- (a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on the Bonds;
- (c) reduce the principal of or extend the Maturity Date or vary the Call Option Date of the Bonds;
- (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
- (e) reduce the amount payable upon the redemption or repurchase of the Bonds under the Terms and Conditions or change the time at which the Bonds may be redeemed;
- (f) make the Bonds payable in money other than that stated in the Bonds;
- (g) subordinate the Bonds to any other obligation of Ayala;
- (h) release any security interest that may have been granted in favor of the Bondholders;
- (i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by Bondholders; or
- (j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the paragraph entitled "*Notice to the Bondholders*".

31. Notices to the Bondholders

Notices to Bondholders shall be sent to their mailing address as set forth in the Register of Bondholders when required to be made through registered e-mail address, registered mail, surface mail or personal delivery. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; (iv) personal delivery to the address of record in the Register of Bondholders or (v) disclosure through the Online Disclosure System of the PDEX or the PSE; or (vi) registered e-mail address. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication; (iv) on date of

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delivery, by personal delivery; (v) on the date that the disclosure is uploaded on the website of the PDEX or the PSE; or (vi) on the date of e-mail transmission, for delivery through the registered e-mail address.

A notice to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the SEC, the PDEX or the PSE on a matter relating to the Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication.

32. Governing Law

The Bond Agreements are governed by and are construed in accordance with Philippine law.

33. Venue

Any suit, action, or proceeding against the Issuer with respect to the Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

34. Waiver of Preference

The obligation created under the Bond Agreements and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

35. Certain Defined Terms

The following sets forth the respective definitions of certain terms used in the Terms and Conditions of the Bonds. Except as otherwise provided and where context indicates otherwise, defined terms in the Terms and Conditions of the Bonds have the meanings ascribed to them in the Trust Indenture.

- (a) **Affiliate** means any corporation, directly or indirectly controlled by the Issuer, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of contract or authority granted by said corporation to the Issuer.
- (b) **Bankruptcy** means, with respect to a Person, (a) that such Person has (i) made an assignment for the benefit of creditors; (ii) filed a voluntary petition in bankruptcy; (iii) been adjudged bankrupt, or insolvent; or had entered against such Person an order of relief in any bankruptcy or insolvency proceeding; (iv) filed a petition or an answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation or filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of such nature; or (v) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties; (b) sixty (60) days have elapsed after the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation and such proceeding

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has not been dismissed; or (c) sixty (60) days have elapsed since the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties and such appointment has not been vacated or stayed or the appointment is not vacated within sixty (60) days after the expiration of such stay.

- (c) **Current Assets** means the aggregate (as at the relevant date for calculation) of the Issuer's cash, marketable securities, trade and other receivables realizable within one (1) year, prepaid expenses, deposits and other current assets as would be determined as such under PFRS.
- (d) **Current Liabilities** means the aggregate (as at the relevant date for calculation) of all liabilities of the Issuer falling due on demand or within one (1) year, including that portion of Long-Term Obligation which falls due within one (1) year and such other liabilities as would be determined as such under PFRS.
- (e) **Current Ratio** means the ratio which Current Assets bear to Current Liabilities.
- (f) **Debt** means the total of short-term debt, current portion of long-term debt, and long term debt.
- (g) **Long-Term Obligation** means the aggregate (as at the relevant date of calculation) of all those component parts of the liabilities of the Issuer which fall due or whose final payment is due on a date more than one (1) year after the relevant date for calculation, exclusive of deferred credits and all interest rate or foreign exchange hedging transactions and such other liabilities as would be determined as such under PFRS.
- (h) **Majority Bondholders** means the holders of more than fifty percent (50%) of the principal amount of the Bonds then outstanding of the Series C Bonds, Series D Bonds, or the Series E Bonds, as the case may be.
- (i) **Net Debt to Equity** means the ratio which Debt less cash and cash equivalents and short-term investments to Total Stockholders' Equity.
- (j) **Security** means any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties, for the purpose of securing its or its Affiliates' obligation.
- (k) **Total Stockholders' Equity** means the aggregate (as at the relevant date for calculation) of the par value of the outstanding common stock, preferred stock, capital surplus, retained earnings, additional paid-in capital, cumulative translation adjustment, appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the Issuer's property, plant and equipment effected in accordance with PFRS, and any reserve for expansion projects, less any subscriptions receivable, treasury shares, parent company shares held by a subsidiary and such other items as would be determined as such under PFRS.

RISK FACTORS

This section includes additional risks or updated discussions of certain risks to those stated in the Prospectus and must be read in conjunction with the Prospectus. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information found in the Prospectus. The risk factors discussed in this section are of equal importance and are organized in no particular order.

GENERAL RISK WARNING

- *The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.*
- *Past performance is not a guide to future performance.*
- *An investor deals in a range of investments, each of which may carry a different level of risk.*

PRUDENCE REQUIRED

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake its/his/her own research and study on the trading of securities before commencing any trading activity. Investors may request information on the securities and the Issuer thereof from the SEC, which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if it/she/he is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

RISK FACTORS

An investment in the Bonds described in this Offer Supplement involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Offer Supplement and the Offer Supplement, in deciding whether or not to invest in the Bonds. This Offer Supplement contains forward-looking statements that involve risks and uncertainties. Ayala adopts what it considers conservative financial and operational controls and policies to manage its business risks. Ayala's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Offer Supplement. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Ayala, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below.

Investors should carefully consider all the information contained in this Offer Supplement and the Prospectus including the risk factors described below and in the Prospectus, before deciding to invest in the Bonds. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

RISKS ASSOCIATED WITH THE COMPANY AND THE GROUP

The continuing impacts of the COVID-19 pandemic remain highly unpredictable, volatile and uncertain, and have had, and will continue to have, certain negative impacts on business operations, demand for products and services, costs of doing business, availability of labor, access to inventory, supply chain operations, the Group's financial performance, and the ability to predict future performance, among others.

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty and volatility, all of which have impacted and may continue to impact the Group's businesses. While the Company has taken numerous steps to mitigate the impact of the pandemic on its results of operation, there can be no assurance that these efforts will be successful. There is no assurance that areas that are currently under GCQ Alert Level 1 or Modified GCQ Level 2 will not be put under more stringent community quarantine in the future. Due to numerous uncertainties and factors beyond its control, the Group is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Group operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures;
- restrictions on operations up to and including complete or partial closure of offices, plants, facilities and distribution centers;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Group's personnel and the Group's ability to maintain staffing needs to effectively operate its businesses;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates and recessionary pressures;
- the impact of the pandemic and related economic uncertainty on consumer confidence, economic well-being, spending and shopping behaviors, both during and after the crisis;
- impacts financial, operational or otherwise on the Group's supply chain, including manufacturers or suppliers of products and logistics or transportation providers, and on the Group's service providers or third-party contractors;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Group's actions in response thereto;
- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Group's businesses.

The above factors and uncertainties, or others of which the Group is not currently aware, may result in adverse impacts to the Group's businesses, results of operations, cash flows and financial condition. In particular, the COVID-19 pandemic has, and is expected to continue to have, an adverse effect on the Group's businesses and results of operations. While the Philippines was subjected to Enhanced Community Quarantine ("ECQ") at the onset of the pandemic, the community quarantine measures eventually eased up throughout 2020. Metro Manila shifted to General Community Quarantine ("GCQ") on 1 June 2020, and retained this status until the end of the 2020. Other parts of the country were able to shift to the more lax Modified General Community Quarantine ("MGCQ") by the end of 2020. For the first few months of 2021, the guidelines on transportation and interregional travel eased. However, with the rise of COVID-19 cases, Metro Manila and the provinces of Bulacan, Cavite, Laguna and Rizal were placed under a stricter version of GCQ for a two-week period beginning on March 22, 2021 as part of the Philippine Government's efforts to control the surge in COVID-19 cases. The restrictions limit travel in and out of covered areas, prohibit in-door dining, and impose curfews. From August 6, 2021 to August 20, 2021, Metro Manila as well as other parts of the nation have reverted to ECQ to arrest the spread of the highly transmissible COVID-19 Delta variant. Metro Manila was subsequently placed under MECQ from August 21, 2021 to September 15, 2021.

Starting September 16, 2021, the Philippine government reduced the community quarantine to either ECQ or GCQ with the latter having an alert-level system (Alert Level 1 to 4) with each alert level limiting

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restrictions only to identified high-risk activities. On September 16, 2021, Metro Manila was placed under GCQ with Alert Level 4. Effective October 16, 2021 to November 4, 2021, Metro Manila was placed under GCQ with Alert Level 3. With the slowdown of COVID-19 cases and to further ease the allowed activities and movement, the Philippine government reduced Metro Manila's Alert Level to 2 from November 5, 2021 to January 2, 2022. With the increasing number of COVID-19 case due to the omicron variant, Metro Manila was placed under Alert Level 3 effective January 3, 2022 to January 31, 2022. For the entire month of February 2022, Metro Manila was on Alert Level 2.

On February 27, 2022, with the declining number of COVID-19 cases in the country, the Philippine government announced that it will ease restrictions in most areas, placing NCR and thirty-eight other areas under Alert Level 1 from March 1 to 15, 2022, subject to the imposition of granular lockdowns and without prejudice to minimum public health standards and health and safety protocols issued by national government agencies for specific sectors. Alert Level 1 was further extended over NCR until April 15, 2022.

Given the imposition of ECQ, and other community quarantine measures for the duration of 2020, as well as mobility restrictions still currently being imposed, the Group's performance in 2020 reflects the full impact of the lockdown. The re-imposition of stricter quarantine measures following the rise in cases of COVID-19 in the country impacted the Group's performance in 2021 and is expected to continue to impact the Group's performance in 2022.

The extent to which the COVID-19 pandemic will continue to impact the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Offer Supplement.

Any restriction or prohibition on the Company's Subsidiaries', Associates' or Joint Ventures' ability to distribute dividends would have a negative effect on the Company's financial condition and results of operations and its ability to fulfil its guarantee obligations under the Notes.

The Company is a holding company that conducts its operations through its Subsidiaries, Associates and Joint Ventures. As a holding company, the Company's income is derived primarily from dividends paid to the Company by its Subsidiaries, Associates and Joint Ventures. For the year ended December 31, 2018, 2019, 2020, and 2021, the Company recognized ₱11.6 billion, ₱13.6 billion, ₱11.1 billion and ₱15.3 billion in dividends, respectively.

The Company is reliant on these sources of funds with respect to its obligations and in order to finance its Subsidiaries. The ability of the Company's direct and indirect Subsidiaries, Associates and Joint Ventures to pay dividends to the Company (and their shareholders in general) is subject to applicable law and may be subject to restrictions contained in loans and/or debt instruments of such Subsidiaries and may also be subject to the deduction of taxes. Currently, the payment of dividends by a Philippine corporation to another Philippine corporation is not subject to tax.

Any restriction or prohibition on the ability of some or all of the Company's Subsidiaries, Associates and/or Joint Ventures to distribute dividends or make other distributions to the Company, either due to regulatory restrictions, debt covenants, operating or financial difficulties or other limitations, could have a negative effect on the Company's cash flow and therefore, its financial condition. Furthermore, such restrictions could likewise impact the Company's ability to fulfill its guarantee obligations under the Notes.

Claims of creditors of the Company's subsidiaries and affiliates, including trade creditors, bank lenders and other creditors, will have priority over any claims of the Company with respect to the assets of such subsidiaries and affiliates.

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To ensure that Company has the capability to honor its obligations, it monitors the level of its net debt to value and cash flow adequacy ratios. The Board has set an internal limit of 20% for its net debt to value. This ratio measures Company's capability to repay maturing debt with its assets. On the other hand, the cash flow adequacy ratio measures the percentage of incoming cash (includes dividends, rentals, interest, among others) to operating expenses and interest payments. The net debt to value and cash flow adequacy ratios at the end of December 2021 were 6.7% and 1.48x, respectively.

The Company is controlled by the Controlling Shareholders, whose interests may not be the same as those of other shareholders.

Messrs. Jaime Augusto M. Zobel de Ayala and Fernando M. Zobel de Ayala, individually and through their control of Mermac, Inc. ("Mermac"), a private holding company incorporated in the Philippines, are the majority shareholders (the "Controlling Shareholders") of, and effectively control, the Company. Mermac held 47.2774% and 47.8657% of the outstanding Common Shares, and 86.3894% and 86.3894% of the outstanding voting preferred shares of the Company (the "Voting Preferred Shares"), as of December 31, 2020 and December 31, 2021, respectively. Accordingly, as of December 31, 2021, the Controlling Shareholders effectively have control over 57.2561% of the Company's voting shares and are able to elect members of the Board of Directors of the Company (the "Board") and pass shareholder resolutions (not including special resolutions, which require a two-thirds majority), which under the By-laws generally require a majority vote by its shareholders. If the interests of the Controlling Shareholders conflict with the interests of other shareholders of the Company, there can be no assurance that the Controlling Shareholders would not cause the Company to take action in a manner which might differ from the interests of other shareholders.

Given the large scale of Ayala's operations, its decision-making process has to be inclusive and responsive to the needs of shareholders and address a wide base of interests. Ayala seeks to maximize good governance to ultimately guarantee that long-term considerations are prioritized over short-term gains. Toward these goals, Ayala strives to adhere to regulatory requirements and global best practices. In addition to compliance with regulations, Ayala develops governance summits and internal councils, supports scholarly efforts on good governance and advanced shared value business models aiming to voluntarily embed global frameworks into Ayala's operations and support sustainable development.

The transactions of the Group may be subject to review under the Philippine Competition Act.

Republic Act ("R.A.") No. 10667, the Philippine Competition Act (the "PCA") became effective on August 8, 2015. The PCA prohibits and penalizes anti-competitive agreements and abuse of dominance; however, it provides that administrative, civil and criminal penalties may only be imposed if violations are not cured upon the expiration of two years after the effectivity of the PCA. This transition period ended on August 8, 2017. Under the PCA, there is a rebuttable presumption of dominance when an entity has a market share of 50% or more. Members of the Group that possess a market share of 50% or more are proscribed from committing any of the acts listed as abuse of dominance. Based on public information as of December 31, 2021, Globe's share of industry service revenues was 41.6%.

In the past, members of the Group have been subject to regulatory scrutiny in respect of certain actions. In particular, the Philippine Competition Commission ("PCC") has claimed that the acquisition of VTI by, among others, Globe cannot be claimed to be deemed approved. Following a Decision dated October 18, 2017 by the Court of Appeals to permanently enjoin and prohibit the PCC from reviewing the acquisition and compelling the PCC to recognize the same as deemed approved, the PCC elevated the case to the Supreme Court via Petition for Review on Certiorari and the case remains pending. See *"Legal Proceedings – Acquisition by Globe and PLDT of the Entire Issued and Outstanding Shares of VTI"* on pages 362-363 of the Prospectus. As the Group continues its strategy of acquisitions and joint ventures, there could be more reason for certain of its transactions to be subject to the PCA. There can be no assurance that none of the Company's existing or future businesses or strategies will not be subject to PCA scrutiny, and the result of any such scrutiny, whether in terms of review, penalties or any conditions imposed on the Company, may have a material adverse effect on its business and strategies.

In addition, the PCA authorizes the PCC to review mergers and acquisitions to ensure compliance with the PCA. The PCA, its Implementing Rules and Regulations ("IRR"), as amended, and the Rules on Merger Procedure (collectively "Merger Rules") provides for mandatory notification to the PCC of any

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merger or acquisition within thirty (30) days of signing any definitive agreement relating to the transaction, where the value of such transaction exceeds ₱2.4 billion, where the size of the ultimate parent entity of either party exceeds ₱6 billion and other prescribed thresholds are met. The parties may not consummate the transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules. A merger or acquisition that meets the thresholds under the Merger Rules but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void, and will subject the parties to a fine between one percent (1.00%) to five percent (5.00%) of the value of the transaction. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities. Given the usual volume of the Group's transactions, mergers or acquisitions undertaken by the Group would likely meet the notification threshold under the PCA and its IRR.

Pursuant to Republic Act No. 11494, the Bayanihan to Recover as One Act ("Bayanihan Act II"), which was signed into law on September 11, 2020, all mergers and acquisitions with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA if entered into within a period of two (2) years from the effectivity of Bayanihan Act II. Further, such mergers and acquisitions shall also be exempt from the PCC's power to review mergers and acquisitions *motu proprio* for a period of one (1) year from the effectivity of the Bayanihan Act II. However, transactions entered into prior to the effectivity of the Bayanihan Act II which has not yet been reviewed by the PCC and transactions pending review by the PCC prior to the effectivity of the Bayanihan Act II shall not be covered by the exemption from the PCC's power to review transactions *motu proprio*. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan Act II may still be reviewed by the PCC *motu proprio* after one year from the effectivity of the law.

The Group's international businesses and results of operations are subject to the macroeconomic, social and political developments and conditions of the countries where its projects and investments are located.

In addition to the Philippines, the Group's portfolio of projects and investments are located in other jurisdictions around the world. Existing operations and future plans for international expansion may be affected by the respective domestic economic and market conditions as well as social and political developments in these countries, government interference in the economy in certain countries and changes in regulatory conditions. While the Company endeavors to carefully consider the prevailing macroeconomic, social and political conditions in each of the jurisdictions in which it does business, nevertheless it cannot provide assurance of adequate mitigation to such systemic risks. As a result, there is no guarantee that the Group's operations, investments and expansion plans will be successful in those countries. The Group's financial condition, prospects and results of operations could be adversely affected if it is not successful internationally or if these international markets are affected by changes in political, economic and other factors, over which the Group has no control.

The implementation and effects of current and any future changes in accounting standards may affect the financial reporting of the Group and its members.

The Philippine Financial Reporting Standards Council, or other regulatory bodies, periodically introduce modifications to financial accounting and reporting standards under which the Group and its members prepare their financial statements. Although the Group closely monitors its compliance with the relevant financial accounting and reporting standards, it cannot anticipate the significance of the impact that the implementation of new accounting standards in the Philippines may have on the Group's and its individual members' financial statements in the future.

The Group's business operations are subject to Environmental, Social, and Governance ("ESG") risks.

Over the past years, various stakeholders have begun requiring companies to report on ESG risks as a means of determining the companies' sustainable practices. Investors and creditors in particular are

Risk Factors

looking into how companies address ESG risks as part of their investment decisions. Customers are increasingly becoming aware of issues concerning ESG, and have been seen to not support companies that do not incorporate sustainable practices into their businesses. Governments and regulators around the world, including here in the Philippines, have also begun setting up regulations that will require companies to report on ESG risks as part of ensuring good corporate governance practices. ESG risks include, but not limited to:

- Environmental Risks – risks concerning responsible use of natural resources, responsible handling and disposal of waste and other pollutants, reduction of greenhouse gas emission and resource consumption footprint, evaluating vulnerability to climate change and biodiversity loss, adopting green technologies and other opportunities.
- Social Risks – risks concerning employee health, safety, and welfare, diversity and inclusion, adherence to labor standards, transparency and accountability over products and services, upholding privacy and data security, and delivering positive impact to the communities served.
- Governance Risks – risks concerning responsible business operations (including supply chain), commitment to good corporate governance practices, transparency and accountability at the top management level, transparent and responsible reporting of financial and tax information, compliance with prevailing laws and regulations, stand against corruption and unethical business practices.

Aside from these, various stakeholders are conscious of the manner by which companies address climate-related physical and transition risks. As the regulatory landscape is slowly shifting its support towards environment-friendly and low GHG emission practices, the Group is monitoring climate change as an emerging risk that could have a major impact in its businesses in the future. Further, the shift in consumer preferences to organic and waste-free products and services is also starting to shape the market in selected industries. If left unaddressed, these may cause significant difficulty in maximizing the Group's value for stakeholders and may adversely impact the Group's brand and reputation.

While certain listed companies in the Group, together with ACEN, have committed to Net Zero emissions by 2050, the Group will continue to identify and assess risks associated with climate change, as well as uncover opportunities and improve disclosures to provide clear and reliable information to stakeholders.

Failure to manage risks associated with information and technology systems ("IT"), cyber threats or other breaches of network or IT security could adversely affect the business of the Group.

The Group is subject to risks relating to its information and technology systems and processes, as the hardware and software used by the Group in their respective IT systems are vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses or the interruption or loss of support services from third parties such as internet service providers and telephone companies. For example, in June 2017, an error by one of BPI's system programmers resulted in double-posting of transactions, which affected some 1.5 million of its customers. In addition, due to system upgrade, BPI's systems were unavailable or limited from April 7, 2019 to April 10, 2019.

Although the incidents above did not result in material loss or expense to the Group, there can be no assurance that future similar incidents will not result in material adverse losses or expenses to the Group. Any disruption, outage, delay or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses or errors that may result in customer suits, loss of income, regulatory investigations, penalties and fines and decreased consumer confidence in the Group. These may, in turn, adversely affect the Group's business, financial condition and results of operations.

Further, work-from-home arrangements necessitated by the quarantine measures imposed in response to the COVID pandemic heightened the cybersecurity risk faced by the Group. New technologies and systems being installed in the name of advanced capabilities and processing efficiencies may introduce new risks which could outpace the Group's ability to properly identify, assess and address such risks.

Risk Factors

Furthermore, new business models that rely heavily on global digitization, use of cloud, big data, mobile and social media may expose the Group to even more cyber-attacks.

The Group seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the increased use of the internet. Certain Group companies employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches and maintains operational procedures to prevent break-ins, damage and failures. Nevertheless, the potential for fraud and security problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure in security measures could have a material adverse effect on the Group's business, reputation, financial condition and results of operations.

Ayala or the Group companies may be unable to attract and retain skilled personnel in a competitive job market.

The Group has experienced a recent increase in the attrition rate of its employees as workers have been leaving their jobs in a job market trend that has been enhanced by COVID-19's unprecedented disruption and uncertainty. Employees in search of better work-life balance have resulted in job vacancies widely reported as the "General Resignation" or the "Great Reshuffle." The Company believes that health and wellness issues brought about by the pandemic have been significant factors. Any loss of key personnel and an inability of Ayala or the individual Group companies to replace personnel and to train and retain replacement personnel, could materially and adversely affect the Group's ability to provide products and services to its customers. Losses of trained personnel could also result in the Group incurring additional expenses in hiring and training replacement personnel and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel they are replacing. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, the Group has relied and will continue to rely significantly on the continued individual and collective contributions of its senior management team. If any of the Group's key personnel are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing business, the Group may not be able to replace them easily, and its business may be significantly disrupted and its business, financial condition, results of operations and prospects could be materially and adversely affected.

Ayala continually seeks to hire talented and dedicated professionals and believes that it is well positioned in the market for talented personnel as it offers opportunities for professional growth in businesses across the Group. Toward this goal, Ayala provides market-competitive compensation and benefits, which are aligned to corporate goals, annual targets, and long-term strategic plans. At Ayala, a performance based variable compensation scheme uses the Key Result Area scorecard accomplishments as metrics. Ayala measures employee engagement every two years and creates and enhances people initiatives to address the employees' evolving priorities.

Negative publicity associated with the "Ayala" brand could negatively impact the Group.

The Group is exposed to reputational risks which may result from its actions or that of its competitors; indirectly due to the actions of an employee, through actions of outsourced partners, suppliers, or joint venture partners. Damage to the Group's reputation and erosion of brand equity could also be triggered by the inability to swiftly and adequately handle negative traditional and social media sentiments against the Group's products and services resulting from unfavorable customer experience, among others.

Regular process effectiveness and efficiency reviews on existing customer-impacting processes are being conducted by the Group to identify and address existing gaps, thus minimizing exposure to reputational risks arising from problem areas. Further, the Group closely monitors online sentiment to quickly detect issues being surfaced in social media and to be able to manage them early on.

Risk Factors

RISKS RELATING TO THE PHILIPPINES

Fluctuation in the value of the Peso against the U.S. Dollar and other currencies may affect the Group's business.

The Company's revenues are predominantly denominated in Pesos, while some investment initiatives and certain expenses, including debt obligations, are denominated in other currencies (principally U.S. Dollars). To fund its foreign currency requirements, the Company taps the international market to raise needed funds and capitalize on the offshore market's flexibility in volume and in pricing. The Company only incurs foreign currency debt for foreign currency assets. To hedge against minimal foreign currency exposure, the Company may utilize short to medium term hedges to protect itself from any Peso depreciation. Furthermore, the Company also keeps short-term U.S. Dollar investment as part of its liquid assets.

Further, Globe's foreign exchange risk results primarily from movements of the Peso against the U.S. Dollar with respect to its USD-denominated financial assets, liabilities, revenues and expenditures. Part of its total service revenues are in USD while substantially all of its capital expenditures are in USD. In addition, part of its long-term debt is denominated in USD before taking into account any related hedges. There can be no assurance that declines in the value of the Peso will not occur in the future or that the availability of foreign exchange will not be limited. The occurrence of these conditions may adversely affect Globe's financial condition and results of operations.

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP leaves the determination of the exchange rate to market forces. Under a market-determined exchange rate framework, the BSP does not set the foreign exchange rate but instead allows the value of the Peso to be determined by the supply and demand of foreign exchange. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and the Group's financial condition and results of operation. As of December 31, 2021, according to the BSP reference exchange rate bulletin, the Peso was at ₱50.774 per U.S.\$1.00 from ₱48.036 and ₱50.744 per U.S.\$1.00 at the end of 2020 and 2019, respectively.

The Group's business operations may be affected by any political and military instability in the Philippines.

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by the previous administration.

In June 2016, the Philippines elected a new chief executive, President Rodrigo Duterte. Since he assumed office, President Duterte's administration has demonstrated commitment in implementing fiscal, monetary and trade policies that are consistent with the pursuit of rapid, broad-based economic growth. Among others, the administration is embarking on progressive tax reform and an ambitious infrastructure development agenda. However, perceptions over human rights and geopolitical issues may affect the overall sentiment on the Philippines and the business environment. The 8-point agenda of the President Duterte administration has not been fully implemented, the focus being more oriented towards "war against drugs and corruption" in the country.

In May 2019, the Philippine legislative and local elections were held. Majority of the senatorial candidates endorsed by the administration won the 2019 elections. The senators elected in the 2019 elections will join the senators elected in the 2016 elections. There are allegations of fraud and voter disenfranchisement in the conduct of the 2019 elections.

The Philippine general elections for national and local officials are scheduled to take place on May 9, 2022. As the general elections draw closer, there has been increased partisan political activity by potential candidates for national or local office, political parties, and their supporters. The 2022 general elections will also take place against the backdrop of the COVID-19 pandemic and the Philippine

Risk Factors

Commission on Elections has cautioned the public that, while it is unlikely for the 2022 elections to be postponed, there may be politicians and interest groups who would push for such an agenda.

Any major deviation from the previously established policies or a fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any such instability could materially and adversely affect the Company's business, financial conditions, results of operations and prospects, reduce consumer demand or result in inconsistent or sudden changes in regulations and policies that affect the Company's business operations, which could adversely affect the Company's results of operations and financial condition.

Furthermore, there can be no assurance that the current administration, or the new administration after the 2022 general elections, will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Any such instability could materially and adversely affect the Groups business, financial conditions, results of operations and prospects, reduce consumer demand or result in inconsistent or sudden changes in regulations and policies that affect the Company's business operations, which could adversely affect the Group's results of operations and financial condition.

Tensions with China and other neighboring countries may adversely affect the Philippine economy and business environment.

The Philippines, Vietnam and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes with China and other Southeast Asian countries over certain territories in the West Philippine Sea, also known as the South China Sea. The Philippines' efforts at bilateral talks with China failed, and thus the dispute remains unresolved. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports and a temporary suspension of tours to the Philippines by Chinese travel agencies. In January 2013, the Philippines initiated arbitral proceedings before a tribunal under the United Nations Convention on the Law of the Sea ("UNCLOS"), in which China refused to participate.

On June 20, 2015, the Government, through the Department of Foreign Affairs, issued a statement reiterating its serious concern that China's reclamation and construction activities in a disputed part of the West Philippine Sea grossly violate the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea ("DOC") and may serve to escalate the disputes and undermine efforts to promote peace, security, and stability. In the same statement, the Philippines called on China anew to heed calls from the region and the international community to exercise self-restraint in the conduct of activities pursuant to Paragraph 5 of the DOC. On May 17, 2016, outgoing President Aquino issued Memorandum Circular No. 94 s. 2016 creating a National Task Force for the West Philippine Sea, to secure the country's sovereignty and national territory and to preserve marine wealth in its waters and the exclusive economic zone, thereby reserving use and enjoyment of the West Philippine Sea exclusively for Filipino citizens.

In 2016, the UNCLOS tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China's "nine-dash line" claim is invalid. Despite the decision, the Chinese Government has maintained its position that the Tribunal has no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese Government. Recently, the Chinese Government successfully registered names for five undersea features found in the Philippine Rise (formerly Benham Rise) with the International Hydrographic Organization. This is despite the decision that the United Nations Commission on the Limits of the Continental Shelf had already granted the Philippines full territorial claim to the Philippine Rise in April 2012. While the Philippine Government downplays the Chinese names, the Philippines' central mapping agency is seeking the assistance of the Department of Foreign Affairs for the nullification of the Chinese names for underwater features from the International Hydrographic Organization-Intergovernmental Oceanographic Commission General Bathymetric Chart of the Oceans ("IHOIOC GEBCO") Sub-Committee on Undersea Feature Names ("SCUFN").

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defined a diplomatic protest and demand for the vessels to leave the area, issued by Defense Secretary Delfin Lorenzana.

Risk Factors

Newly elected President Joe Biden has manifested that the U.S. will not and should not be expected to ease up on military operations in the West Philippine Sea. This as South Asian nations and claimants involved in West Philippine Sea dispute awaits President Biden administration's broader, and comprehensive China strategy.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine coast guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Philippine Government. Should the territorial dispute in the West Philippine Sea escalate or continue, the Philippines' interests in fishing, trade and offshore drilling, the volume of trade between the Philippines and China, and the supply of steel available to the Philippines may be adversely affected, which in turn may affect, among other things, infrastructure development and general economic and business conditions in the Philippines, any of which could adversely affect Ayala's business, financial condition and results of operations.

The operations and financial results of the Group may be influenced by major political and economic developments abroad

The growth and profitability of the Group may be influenced by major political and economic developments, which may have a negative effect on the operations and financial results of the Group.

On February 21, 2022, Russian president Vladimir Putin announced that Russia recognizes the independence of two pro-Russian breakaway regions in eastern Ukraine. On February 22, 2022, the Russian Federation Council unanimously authorized the use of military force, and the entry of Russian soldiers into both territories. On February 24, 2022, places across Ukraine, including Kyiv, the national capital, were struck with missiles. The Ukrainian Border Guard reported attacks on posts bordering Russia and Belarus. Shortly afterwards, Russian Ground Forces entered Ukraine prompting Ukrainian President Volodymyr Zelenskyy to enact martial law and general mobilization (the "Russo-Ukrainian War"). While the Group does not expect any material impact from the ongoing Russo-Ukrainian War to its current and future businesses, the ongoing tensions may affect oil and commodity prices in the near to medium term.

Any political or economic developments of a global scale could impact prices in general and disrupt supply chains, which could in turn increase the costs of the Group. The Group continuously monitors such developments abroad and will assess any direct and indirect impact that the Russo-Ukrainian War may have on its current and future businesses.

RISKS ASSOCIATED WITH THE BONDS

Please refer to pages 75-76 of the Prospectus.

USE OF PROCEEDS

Following the offer and sale of the Bonds in the amount of ₱10 Billion under the Base Offer, Ayala expects that the net proceeds of the Base Offer shall amount to approximately ₱9.9 Billion after fees, commissions and expenses. Assuming the full exercise of the Oversubscription Option resulting in the sale of Bonds in the amount of ₱15 Billion, Ayala expects that the net proceeds of the Offer shall amount to approximately ₱14.8 Billion after fees, commissions and expenses. Net proceeds from the Offer are estimated as follows:

	Base Offer (in ₱)	Base Offer with Oversubscription Option (in ₱)
Estimated proceeds from the sale of the Bonds	₱10,000,000,000	₱15,000,000,000
Less:		
SEC Registration and Legal Research Fee (incl. DST)	3,787,530	3,787,530
Documentary Stamp Tax	75,000,000	112,500,000
Underwriting Fees ¹⁰	39,470,000	59,205,000
Estimated Professional Expenses	7,000,000	7,000,000
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	1,000,000	1,000,000
Trustee's Fee	200,000	200,000
Total Estimated Upfront Expenses	123,237,500	178,862,500
Estimated net proceeds to Ayala	₱9,873,542,530	₱14,816,307,530

Aside from the fees enumerated above, the Company will be paying the following estimated annual fees related to the Bonds:

1. PDEX annual listing maintenance fee of ₱150,000.00, (VAT-exclusive);
2. Annual Rating Monitoring and Agency fees of ₱280,000.00 (VAT-inclusive);
3. PDTC registry maintenance annual fee of ₱250,000.00;
4. PDTC paying agent annual fee of ₱400,000.00; and
5. Metropolitan Bank and Trust Company – Trust Banking Group as trustee to the Bondholders annual fee of ₱275,000.00 net of tax, in semi-annual payments.

Expenses incurred in connection with the offering of the securities, including documentary stamp tax, fees of the Trustee, and the Registrar and Paying Agent will be for the account of the Company.

Net proceeds amounting to approximately ₱9.9 billion, assuming an Issue size of ₱10 billion, or ₱14.8 billion, assuming the full exercise of the Oversubscription Option, will be used to refinance Philippine peso-denominated obligations, and partially to finance the capital expenditures described below, and the balance (if any) shall be applied to fund general corporate purposes:

Type	Base Offer - Amount (₱10 billion)	Base Offer with Oversubscription Option - Amount (₱5 billion)	Schedule of disbursement	Details
Short Term Loans	₱3.8 billion	₱4.0 billion	2 nd Quarter	Repayment of Short-Term Bank Loan with Bank of the Philippine Islands
Short Term Loans	0	₱4.7 billion	2 nd Quarter	Repayment of Short-Term Bank Loan with Metropolitan Bank

¹⁰ The underwriting fee rate is at 0.3947%, inclusive of GRT, of the total amount raised.

Use of Proceeds

				and Trust Company (“Metrobank”)
Capital Expenditure Project	₱6.1 billion	₱6.1 billion	3 rd Quarter to 4 th Quarter 2022	AC Logistics’s acquisition of a 60 % stake in Air21 Holdings, Inc.
Total	₱9.9 billion	₱14.8 billion		

Short- Term Loan— BPI

Approximately ₱3.8 billion of the net proceeds of the Base Offer and ₱4.0 billion of the net proceeds assuming the full exercise of the Oversubscription Option will be used to repay the ₱4.0 billion Short-Term Loan (with shares of stock as collateral) with BPI with an interest rate of 1.90% per annum maturing on May 30, 2022 (the “BPI Loan”), which was drawn to partially fund the early redemption of the ₱10.0 billion 6.875% Fixed Rate Bond due May 11, 2022. Any remaining amounts due under the BPI Loan will be paid from internally generated funds.

BPI Capital is one of the Joint Lead Underwriters and Bookrunners of the Offer and is the wholly-owned investment banking subsidiary of BPI. The Offer and the BPI Loan are unrelated transactions and were independently contracted with Ayala without considering the other and were each entered into on terms commercially and separately negotiated on an arm’s length basis.

Short- Term Bank Loan— Metrobank

None of the net proceeds of the Base Offer and approximately ₱4.7 billion of the net proceeds assuming the full exercise of the Oversubscription Option will be used to repay the ₱6.0 billion Short- Term Loan with Metrobank with an interest rate of 1.98% per annum maturing on May 30, 2022 (the “Metrobank Loan”), which was drawn to partially fund the early redemption of the ₱10.0 billion 6.875% Fixed Rate Bond due May 11, 2022. Any remaining amounts due under the Metrobank Loan will be paid from internally generated funds.

First Metro is one of the Joint Lead Underwriters and Bookrunners of the Offer and is the wholly-owned investment banking subsidiary of Metrobank. The Offer and the Metrobank Loan are unrelated transactions and were independently contracted with Ayala without considering the other and were each entered into on terms commercially and separately negotiated on an arm’s length basis.

Capital Expenditure— Acquisition of Air21 Holdings, Inc.

Approximately ₱6.1 billion of the net proceeds of the Base Offer or the net proceeds assuming the full exercise of the Oversubscription Option will be used to fund Ayala’s equity contributions to its wholly-owned subsidiary, AC Logistics Holdings Corporation, which will use such amount to acquire a 60% interest in Air 21 Holdings Inc. (“AHI”). AHI is a holding company owned by Mr. Alberto D. Lina that will consolidate his equity interests in eight operating companies under the AIR21 Group that are engaged in a broad range of logistics services that include express door-to-door service, international and domestic freight forwarding, warehousing and waste logistics management. The transaction, which is expected to be completed in the third or fourth quarter of 2022, is subject to customary closing conditions, including relevant regulatory approvals. Ayala anticipates that AC Logistics will later return such equity infusion to it by way of dividends.

To the extent that the net proceeds exceed the total above and there are changes in capital expenditures, such excess will be used for Ayala’s general corporate purposes. Correspondingly, if the Oversubscription Option is partly exercised or not exercised at all, or net proceeds are less than the above total, Ayala will satisfy the balance of the above from internally generated funds and/or other credit facilities which may include bank borrowings, as Ayala may consider commercially favorable at the relevant time.

Pending the above use of proceeds, the Company shall invest the net proceeds from the Offer in short-term liquid investments including but not limited to short-term government securities, bank deposits, and money market placements which are expected to earn at prevailing market rates.

None of the proceeds will be used to reimburse any officer, director, employee or shareholder for service

Use of Proceeds

rendered, assets previously transferred, money loaned or advance or otherwise.

The Company may at any time purchase the Bonds in the open market or by tender or by contract at market price, in accordance with PDEX Rules, without any obligation to purchase (and the Bondholders shall not be obliged to sell) the Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEX, the Company shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Adjustments in the Use of Proceeds

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's current plans, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds at the discretion of the Company's management. In the event of any material deviation, reallocation or adjustment in the planned use of proceeds, the Company shall inform the SEC and issue all appropriate disclosures within thirty (30) days prior to its implementation. Any material or substantial adjustment to the use of proceeds, as indicated above, shall be approved by the Board and shall be publicly disclosed through the SEC, the PSE, and the PDEX.

PLAN OF DISTRIBUTION

Ayala plans to issue the Bonds to institutional and retail investors through a public offering to be conducted through the Joint Lead Underwriters and Bookrunners.

THE OFFER

The Bonds covered by this Offer Supplement and described below are the second tranche under the ₱30,000,000,000 Debt Securities Program that was authorized by resolutions of the Board of Directors of the Company dated June 22, 2017, September 22, 2020, and March 10, 2022. A registration statement filed by the Company covering the Debt Securities Program was rendered effective by the SEC by its order dated May 12, 2021. For the first Tranche of the Debt Securities Program consisting of fixed-rate bonds in aggregate amount of ₱10,000,000,000, a certificate of permit to offer securities for sale ("SEC Permit") of such bonds was issued on May 12, 2021. This Offer Supplement (and as the context requires, the term includes the Prospectus) relates to the offering and sale of fixed-rate bonds in the aggregate amount of ₱15,000,000,000 which is comprised of a base offer of ₱10,000,000,000 (the "Base Offer") with an oversubscription option of ₱5,000,000,000 (the "Oversubscription Option", together with the Base Offer, the "Offer"), consisting of 4.4542% Series C Bonds due 2025 ("Series C Bonds"), 5.6239% Series D Bonds due 2027 ("Series D Bonds"), and 6.1351% Series E Bonds due 2029 (the "Series E Bonds", together with the Series C and Series D Bonds, the "Bonds" or the "Issue") under this Offer Supplement.

SHELF REGISTRATION OF SECURITIES NOT COVERED BY THE OFFER

After the close of the Offer and within three (3) years following the effectivity date of the registration statement covering the Debt Securities Program, Ayala may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of the Securities covered by such registration statement, in one or more subsequent tranches under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. Such a shelf registration provides Ayala with the ability to conduct such an offering within a comparatively short period of time. Ayala believes that this provides it with the increased ability to take advantage of opportunities in a volatile debt capital market, as these occur. Any subsequent offering under such rule requires the submission by Ayala of the relevant updates and amendments to the registration statement and the issuance of the corresponding SEC Permit by the SEC. As a listed company, Ayala regularly disseminates such updates and information in its disclosures to the SEC and the PSE.

At any time, which may include periods shortly following the completion of the Offer, Ayala may initiate subsequent offers of other Securities in various tranches from the balance of the aggregate principal amount of Securities that will remain unissued from the Shelf Registration. Such subsequent offers may be conducted on different terms and tenors involving different issue managers, underwriters or other transaction parties. Ayala regularly considers prevailing market conditions and opportunities in relation to such offers that are permitted within the three (3) year effectivity of the Shelf Registration.

However, there can be no assurance in respect of: (i) whether Ayala would issue any such Securities at all; (ii) the size or timing of any individual issuance or the total issuance of such Securities; or (iii) the tenor, interest rate or other specific terms and conditions of any such issuance. Any decision by Ayala to offer such Securities will depend on a number of factors at the relevant time, many of which are not within Ayala's control, including but not limited to: prevailing interest rates, the financing requirements of Ayala's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

JOINT LEAD UNDERWRITERS AND BOOKRUNNERS

BPI Capital, BDO Capital, China Bank Capital, First Metro, and SB Capital pursuant to an Underwriting Agreement with Ayala dated May 05, 2022 (the "Underwriting Agreement"), have agreed to act as the Joint Lead Underwriters and Bookrunners to distribute and sell the Bonds at the Issue Price, and have also committed severally and not jointly to underwrite, the Base Offer on a firm commitment basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

Plan of Distribution

BPI Capital and BDO Capital are the Joint Issue Managers for this transaction. For the offer of the Bonds, the Joint Lead Underwriters and Bookrunners will receive a fee of up to thirty-nine point forty-seven basis points (0.3947%), inclusive of GRT, on the final aggregate nominal principal amount of the Bonds. These amounts are inclusive of the underwriting fees and participation commissions to be ceded to participating underwriters and selling agents, if any. No fees will be given to broker dealers selling the Bonds.

The amounts of the underwriting commitments of the Joint Lead Underwriters and Bookrunners are as follows:

BDO Capital	Up to ₱2.50 Billion
BPI Capital	Up to ₱2.50 Billion
China Bank Capital	Up to ₱1.67 Billion
First Metro	Up to ₱1.66 Billion
SB Capital	Up to ₱1.67 Billion
TOTAL	Up to ₱10.00 Billion

The Oversubscription Option, once exercised during the Offer Period, shall be deemed firmly underwritten by the Joint Lead Underwriters and Bookrunners, in addition to the amounts above. Any Bonds issued under the Oversubscription Option will be allocated pro rata among each Joint Lead Underwriters and Bookrunners according to the additional orders received by such Joint Lead Underwriter beyond its firm underwriting commitment.

There is no arrangement for the Joint Lead Underwriters and Bookrunners to return any unsold Bonds to Ayala. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Ayala of the net proceeds of the Bonds. Furthermore, there is no arrangement whereby any or all of the Joint Lead Underwriters and Bookrunners have the right to designate or nominate a member/s of the Board of Directors of Ayala.

Prior approval from the SEC is required to effect a termination of the Underwriting Agreement.

The Joint Lead Underwriters and Bookrunners may enter into other sub-underwriting agreements with other underwriters who may want to participate in the issuance.

The Joint Lead Underwriters and Bookrunners are each duly licensed by the SEC to engage in the underwriting or distribution of the Bonds. The Joint Lead Underwriters and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Company or other members of the Ayala Group of which the Company is a part.

Except for BPI Capital, the Joint Lead Underwriters and Bookrunners have no direct relations with Ayala in terms of ownership by either of their respective major stockholder/s. BPI Capital is a wholly-owned subsidiary of BPI, an associate of Ayala in which Ayala has an effective ownership of 48.5%¹¹ as of December 31, 2021.

BPI Capital, BDO Capital, China Bank Capital, First Metro, and SB Capital have undertaken the requisite due diligence over Ayala as Joint Lead Underwriters and Bookrunners of the Bonds. BPI Capital's relationship with the Issuer had no effect in its conduct of due diligence.

Each of the Joint Lead Underwriters and Bookrunners' parent companies is a banking institution regulated by the BSP that has a relationship with the Company and/or its subsidiaries. BPI Capital is the wholly-owned investment banking subsidiary of Bank of the Philippine Islands, and First Metro is the wholly-owned investment banking subsidiary of Metrobank. These relationships are independent of the engagement of the Joint Lead Underwriters and Bookrunners and are entered into on an arm's length basis in the ordinary course of its banking business. These banking institutions are engaged in transactions with, and have performed various commercial banking and other services for the Company and/or its subsidiaries or Affiliates in the past and are expected to do so for the Company and/or its

¹¹ This 48.5% represents the effective % economic ownership of Ayala in BPI, which is inclusive of the shares owned by Liontide Holdings, Inc., a joint venture of Ayala, in BPI.

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subsidiaries or Affiliates from time to time in the future including, insofar as such bank have affiliates that offer such services, investment banking and underwriting services. However, all services provided by each of the Joint Lead Underwriters and Bookrunners, including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Company. The Joint Lead Underwriters and Bookrunners do not have a contract or other arrangement with the Company under which any of the Joint Lead Underwriters and Bookrunners may return to the Company any unsold securities of the Offer. The Joint Lead Underwriters and Bookrunners do not have any direct or indirect interest in the Company or in any securities thereof including options, warrants or rights thereto. None of the Joint Lead Underwriters and Bookrunners have any right to designate or nominate any member of the Company's Board.

SALE AND DISTRIBUTION

The distribution and sale of the Bonds shall be undertaken by the Joint Lead Underwriters and Bookrunners who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Joint Lead Underwriters and Bookrunners from purchasing the Bonds for their own respective accounts.

There are no persons to whom the Bonds are specifically allocated or designated prior to the public offering thereof. The Bonds shall be offered to the public at large and without preference.

The obligations of each of the Joint Lead Underwriters and Bookrunners will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Lead Underwriters and Bookrunners. Unless otherwise expressly provided in the Underwriting Agreement, the failure by a Joint Lead Underwriter and Bookrunner to carry out its obligations thereunder shall neither relieve the other Joint Lead Underwriters and Bookrunners of their obligations under the same Underwriting Agreement, nor shall any Joint Lead Underwriter and Bookrunner be responsible for the obligation of another Joint Lead Underwriter and Bookrunner.

OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on May 12, 2022 and end at 5:00 p.m. on May 18, 2022 or on such other date as the Issuer and Joint Lead Underwriters and Bookrunners may agree upon.

APPLICATION TO PURCHASE

Applicants may purchase the Bonds during the Offer Period by submitting to the Joint Lead Underwriters and Bookrunners properly completed Applications to Purchase, whether originally signed or electronically submitted (through the e-Securities Issue Portal ("e-SIP") upon and subject to the e-SIP's approval by the SEC), together with all applicable supporting documentation in the prescribed form and submitted in the prescribed manner, with full payment of the purchase price of the Bonds in the manner provided therein. Corporate and institutional applicants may also be required to submit, in addition to the foregoing:

- an original notarized certificate of the corporate secretary or an equivalent officer of the Applicant setting forth resolutions of the board of directors, partners or equivalent body (i) authorizing the purchase of the Bonds indicated in the Application to Purchase and (ii) designating the signatories, with their specimen signatures, for the said purpose;
- copies of its Articles of Incorporation and By-Laws (or the Articles of Partnership, in case of a partnership) and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is(are) authorized signatory(ies);
- two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is(are) authorized signatory(ies);
- validly issued tax identification number issued by the BIR;

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- identification document(s) of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and
- such other documents as may be reasonably required by any of the Joint Lead Underwriters and Bookrunners or the Registrar in the implementation of its internal policies regarding “know your customer” and anti-money laundering.

An individual Applicant may also be required to submit, in addition to accomplished Applications to Purchase and its required attachments:

- identification document (“ID”) of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Passport, Driver’s License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter’s ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman’s Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, the SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
- two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated/signed by the Joint Lead Underwriter’s authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar;
- validly issued tax identification number issued by the BIR; and
- such other documents as may be reasonably required by any of the Joint Lead Underwriters and Bookrunners or the Registrar in implementation of its internal policies regarding “know your customer” and anti-money laundering.

An Applicant claiming exemption from any applicable tax, or is subject to a preferential withholding tax rate shall, in addition to the requirements set forth above, be required to the following requirements, subject to acceptance by the Issuer, as being sufficient in form and substance:

- A copy of the current and valid tax exemption certificate, ruling or opinion issued by the BIR (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time), addressed to the Bondholder, confirming the exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement, or amendment thereto, and certified by the Corporate Secretary of the Bondholder as being a true copy of the original on file with the Bondholder, which notarized certification indicates that: (a.i) the exemption certificate is a true copy of the original; (a.ii) the original is in the possession of the Corporate Secretary of the Bondholder as the duly authorized custodian of the same; and (a.iii) the Corporate Secretary of the Bondholder has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting said certification’s validity, or a copy of the law of the country of domicile allowing a deemed paid tax credit in an amount to the 15% spared or waived by the Philippines duly authenticated by the Philippine embassy or, for countries that are members to the Apostille Convention, an apostilled copy of the law of the country of domicile which apostilled or authenticated copy shall be valid for one year from the date of issuance;
- With respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the submitted BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder’s owners or beneficiaries with the proof of receipt by the concerned office of the Bureau of Internal Revenue, as required under Revenue Memorandum Order No. 14-2021, (ii) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder’s owners or beneficiaries in the form acceptable for recognition under Philippine laws, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a

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form acceptable to the Issuer, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) prior to the payment of subsequent interests due, (i) three (3) originals of the submitted new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Issuer deems applicable, and (ii) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; (c) other additional documents as may be required by the Issuer or pursuant to applicable tax regulations, which shall be submitted by the Bondholder to the Issuer through the Registrar no later than the 1st day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;

- A duly notarized undertaking (in the form attached as Schedule 4 of the Registry and Paying Agency Agreement) executed by (c.i) the Corporate Secretary of the Bondholder or any authorized representative of the Bondholder, who has personal knowledge of the exemption based on his official functions, if the Bondholder purchases the bonds or other deposit substitutes for its account, or (c.ii) the Trust Officer, if the Bondholder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the bonds or other deposit substitutes pursuant to its management of tax-exempt entities (i.e., Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described above, is specifically exempt from the relevant tax or is specifically subject to a preferential tax rate for the relevant tax, and undertaking to immediately notify Ayala and the Registrar and Paying Agent of any suspension or revocation or modification of its tax exemption or treaty privileges and agreeing to indemnify and hold Ayala and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding or reduced withholding of the required tax; and
- Such other documentary requirements as may be reasonably required by Ayala or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty relief, as required under BIR Revenue Memorandum Order No. 14-2021, including a copy of the duly submitted Application Form for Treaty Purposes, a valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines.

Completed Applications to Purchase and corresponding payments must reach the Joint Lead Underwriters and Bookrunners prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Lead Underwriters and Bookrunners. Acceptance by the Joint Lead Underwriters and Bookrunners of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by Ayala. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱50,000 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.

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ALLOTMENT OF THE SECURITIES

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted at the discretion of the Joint Lead Underwriters and Bookrunners, in consultation with the Issuer and subject to Ayala's right of rejection.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the Joint Lead Underwriters and Bookrunners from whom such application to purchase the Bonds was made.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk.

PURCHASE AND CANCELLATION

The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract at market price, in accordance with PDEX Rules, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

SECONDARY MARKET

Ayala intends to list the Bonds in the PDEX. Ayala may purchase the Bonds at any time in the PDEX trading system, in accordance with PDEX Rules, without any obligation to make pro-rata purchases of the Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Beneficial title to the Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. The Issuer will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered in the Register of Bondholders.

DIVIDEND POLICY

The following section discusses updates to the dividend policy after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement and the Prospectus. Prospective investors should read the entire Offer Supplement and the Prospectus carefully, including the section entitled “Risk Factors” and the audited financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

Overview

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. “Unrestricted Retained Earnings” refer to the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

Dividend Policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The Company does not have a minimum dividend policy: the payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Pursuant to the Article VII, Section 1 of the Company's Amended By-laws approved by the SEC on October 14, 2020, the net profits before taxes shall be distributed as follows:

- a. An amount for management bonus to be recommended by the compensation committee of the Board of Directors and approved by the Board of Directors, and
- b. The balance shall be made available for distribution as dividends to stockholders.

As indicated in Ayala's Amended Articles of Incorporation approved by the SEC on May 24, 2019, the dividend rate shall be determined by the Board of Directors at the time of issuance of the shares.

The following tables summarize the dividends declared and paid by Ayala since the date of the Prospectus:

On Common Shares

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021	July 29, 2021	August 13, 2021	3.46/share
	December 24, 2021	January 7, 2022	3.46/share

Dividend Policy

On Preferred B Series 1 Shares

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021	February 11, 2021 April 22, 2021 August 3, 2021 November 2, 2021	February 15, 2021 May 15, 2021 August 15, 2021 November 15, 2021	¼ of 5.2500% per annum, or 6.56250 per share
2022	January 31, 2022	February 15, 2022	¼ of 5.2500% per annum, or 6.56250 per share

On Preferred B Series 2 Shares

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021**	February 19, 2021 May 7, 2021 August 13, 2021 November 16, 2021	February 28, 2021 May 29, 2021 August 29, 2021 November 29, 2021	¼ of 4.8214 % per annum, or 6.02675 per share
2022	February 15, 2022	February 28, 2022	¼ of 4.8214% per annum, or ₱6.02675 per share

**APB2R

On Voting Preferred Shares

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021	April 26, 2021	May 20, 2021	0.05773/share

*The dividend rate has been re-priced from 3.6950% to 5.7730% per annum, which is equal to the 3-year PHP BVAL reference rate as of May 20, 2019 and will be applicable until May 20, 2022, the next re-pricing date.

Ayala Land

Dividends declared by ALI on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of ALI and other factors. The same applies to the declaration of dividends by the Company's subsidiaries and affiliates.

Special cash dividends are declared depending on the availability of cash, taking into account ALI's capital expenditure and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by ALI's Board of Directors, but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both ALI's Board of Directors and ALI's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and the PSE.

The following tables summarize the dividends declared and paid by ALI since the date of the Prospectus:

CASH DIVIDEND (Per Common Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.1360	October 19, 2021	November 3, 2021	November 18, 2021
0.1352	February 24, 2022	March 11, 2022	March 25, 2022

Dividend Policy

CASH DIVIDEND (Per Voting Preferred Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.00474786	May 27, 2021	June 10, 2021	June 25, 2021

Bank of the Philippine Islands

The following tables summarize the dividends declared and paid by BPI after the date of the Prospectus:

Date Declared	Date of Payment	Amount of Dividends	
		Per Share	Total (in ₱ millions)
May 19, 2021	June 23, 2021	0.90	4,062
November 17, 2021	December 24, 2021	0.90	4,062

There are no known restrictions or impediments to BPI's ability to pay dividends on common equity, whether current or future.

Dividend declaration is ultimately the responsibility of BPI and the BPI Board of Directors which has the authority to declare dividends as it may deem appropriate. Banks that meet the prequalification criteria including capital adequacy requirements and applicable laws and regulations of the BSP can declare and pay dividends without prior BSP verification.

Globe Telecom, Inc.

Dividends declared by Globe on its stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of Globe and other factors. As a policy and as much as practicable, Globe observes a 30-day period for the payment of dividends to shareholders from declaration date of such dividends.

Cash dividends are subject to approval by Globe's Board of Directors but no stockholder approval is required. Total cash dividends distributed after the date of the Prospectus are listed below.

COMMON CASH DIVIDEND (Per Share)			
AMOUNT (₱)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
27.00	February 9, 2021	February 24, 2021	March 11, 2021
27.00	May 6, 2021	May 21, 2021	June 4, 2021
27.00	August 5, 2021	August 19, 2021	September 3, 2021
27.00	November 11, 2021	November 25, 2021	December 10, 2021
27.00	February 8, 2022	February 22, 2022	March 10, 2022

VOTING PREFERRED STOCK CASH DIVIDEND (Per Share)			
AMOUNT (₱)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.32	November 11, 2021	November 25, 2021	December 10, 2021

NON-VOTING PREFERRED STOCK CASH DIVIDEND (Per Share)			
AMOUNT (₱)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
13.00	May 6, 2021	July 28, 2021	August 23, 2021

The Board of Directors of Globe approved in separate approvals the declaration of the quarterly distributions of cash dividends of ₱27 per share, paid each last March 11, 2021, June 4, 2021, September 3, 2021 and December 10, 2021. Each cash dividend payment total to about ₱3.6 billion, bringing total distribution by end of December 2021 to ₱14.4 billion.

On May 6, 2021, the Globe Board of Directors also approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of July 28, 2021. The amount of the cash dividend was at a fixed rate of 5.2006% per annum calculated in respect of each

Dividend Policy

share by reference to the offer price of ₱500 per share on a 30/360-day basis for the six-month dividend period. Total amount of the cash dividend was paid last August 23, 2021. Likewise, on the same date, the Board of Directors ratified the resolutions of Globe's Finance Committee approving the Company's redemption of Series A Non-Voting Perpetual Preferred Shares ("GLOPP"). The redemption was made last August 22, 2021 (the 7th year anniversary from the issue date of the shares) by payment in cash of the redemption price equal to the issue price of the shares plus accrued and unpaid dividends up until August 22, 2021 based on the dividend rate of 5.2006% per annum. As the redemption date falls on a Sunday, the payment of the redeemed shares was made last August 23, 2021 to shareholders on record as of July 28, 2021. Trading suspension of GLOPP was July 23, 2021, which was also the ex-date. The shares were recorded as treasury stock of Globe until the shares are retired.

Also, on November 11, 2021, the Board of Directors of Globe approved the declaration of the cash dividend for holders of its voting preferred shares paid last December 10, 2021 to shareholders on record as of November 25, 2021. The amount of the cash dividend is based on the 2019 Benchmark rate of the 3-day average of the 5-year BVAL* (i.e., average of October 24, 25, 28, 2019) plus 2%. The aggregate dividend payment for the voting preferred shares was about ₱50 million.

Stock dividends, which come in the form of additional shares of stock, are subject to approval by both the Company's Board of Directors and the Company's stockholders. No stock dividends have been distributed since the 25% stock dividend back in 2002.

Manila Water Company, Inc.

Subject to the preferential dividend rights of the participating preferred shares ("PPS"), each holder of a share of stock is entitled to such dividends as may be declared in accordance with MWC's dividend policy. Under MWC's cash dividend policy, common shares shall be entitled to annual cash dividends equivalent to 35% of the prior year's net income, payable semi-annually in March and October. MWC's Board may change the cash dividend policy at any time.

MWC's Board is authorized to declare cash dividends. A cash dividend declaration does not require any further approval from the stockholders in accordance with the Revised Corporation Code. A stock dividend declaration requires the further approval of stockholders representing not less than two-thirds of MWC's outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued", regardless of nomenclature, classification or voting rights, except treasury shares. Such stockholders' approval may be given at a general or special meeting duly called for the purpose. Dividends may be declared only from unrestricted retained earnings. Some of MWC's loan agreements carry covenants that restrict declaration of payments of dividends under certain circumstances, such as in the event of default or if payment would cause an event of default, if certain financial ratios are not met or if payment would cause them not to be met, requiring revenues of MWC to be applied toward certain expenses prior to the payment of dividends, and other circumstances.

In view of prevailing circumstances, Manila Water did not declare cash dividends in 2020. With the ongoing discussions with government on the Concession Agreement, as well as the need to continuously focus on service continuity and operations resiliency amid the challenges posed by the COVID-19 pandemic, resources are being prioritized towards ensuring reliable service to customers. The Company has declared the following dividends after the date of the Prospectus:

Declaration Date	Payment Date	Amount* (₱ thousands)	Nature of Dividends Declared
November 18, 2021	December 16, 2021	332,000	0.053 cash dividends to PPS (inclusive of 10% accumulated cash dividends to PPS)
		1,531,849	0.531 cash dividends to common shares

* Gross amount of dividend

Dividend Policy

Integrated Micro-Electronics, Inc.

Dividends declared by IMI on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of IMI and other factors. There are no other restrictions that limit the payment of dividends on common shares.

Cash dividends are subject to approval by IMI's Board of Directors, but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Board of Directors and the stockholders of IMI. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

IMI's subsidiaries have not adopted any formal dividend policies. Dividend policies for the IMI's subsidiaries shall be determined by their respective Boards of Directors.

IMI did not declare cash dividends in 2020 and 2021. However, its Singaporean subsidiary made dividend payments for the same period as set out below:

2021

IMI Singapore ("IMI SG") paid dividends on the redeemable cumulative preferred stocks ("RCPS") to AC Industrials (Singapore) Pte, Ltd. ("ACI SG") amounting to US\$1.52 million on March 2021. In August 2021, IMI SG redeemed in full the remaining RCPS from ACI SG and paid the accrued dividends amounting to US\$2.15 million as of redemption date. No dividend payment was declared to common shareholders.

2020

IMI SG paid dividends on the RCPS to ACI SG on the anniversary dates amounting to US\$3.47 million and US\$2.02 million in March 2020 and October 2020, respectively. In November 2020, dividends were paid to the redeemed portion of the RCPS that have accrued as of redemption date amounting to US\$1.01 million. No dividend payment was declared to common shareholders.

AC Energy and Infrastructure Corporation

Wholly-owned ACEIC does not have a dividend policy. Since 2019, ACEIC has declared ₱2 billion in regular dividends annually to AC. The declaration of dividends in the future will depend upon the earnings, cash flow, and financial condition of ACEIC, and other factors.

For listed platform ACEN under ACEIC:

The ACEN Board of Directors has approved the Company's dividend policy to declare and pay dividends on an annual basis using a payout ratio of 25% to 50% of the previous year's core net income, excluding significant non-recurring gains (including value realization proceeds) or losses, to be effective on January 1, 2021 ("Regular Dividends"). On November 11, 2020, the Board amended this dividend policy to include the Board's discretion, exercised reasonably, to approve the declaration and payment of special dividends over and above the Regular Dividends. Nevertheless, the payment of dividends in the future will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its Associates, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its Associates, and other factors the Board may deem relevant.

On March 8, 2022, the ACEN Board of Directors in its regular meeting approved, among others, the declaration of cash dividends of six centavos (₱0.06) per share on the 38,315,838,177 outstanding shares of ACEN, or a total dividend amount of ₱2,298,950,290.62 to be paid on or before April 19, 2022 to stockholders of record as of April 5, 2022.

Dividend Policy

Declaration of cash dividends by ACEN requires the approval of the Board, the declaration of stock dividends by the Company requires the approval of its Board and the approval of stockholders representing at least 2/3 of the outstanding capital stock.

The following table summarizes the dividends previously declared and paid by ACEN after the date of the Prospectus:

Date of Declaration	Record Date	Payment Date	Rate in ₱
March 8, 2022	April 5, 2022	On or before April 19, 2022	0.06/Share

CAPITALIZATION

The following table sets out the audited consolidated short-term and long-term debt and capitalization of the Company as of December 31, 2021 and as adjusted to give effect to the Offer (assuming the Oversubscription Option is exercised). This table should be read in conjunction with the Company's audited consolidated financial statements and the related notes thereto as of and for the period ended December 31, 2021 attached to this Offer Supplement.

As of December 31, 2021					
(In ₱ thousands)	Actual	Adjustments*	As Adjusted for Base Offer size (₱10 Bn)	Adjustments**	As Adjusted for maximum Offer size (₱15 Bn)
Debt					
Short-term debt	₱34,712,039	-	₱34,712,039	-	₱34,712,039
Current portion of long-term debt	31,493,713	-	31,493,713	-	31,493,713
Long-term debt - net of current portion	412,310,822	10,000,000	422,310,822	5,000,000	427,310,822
Total Debt	478,516,574	10,000,000	488,516,574	5,000,000	493,516,574
Equity attributable to owners of the parent company					
Paid-in capital:					
Preferred Stock - A, ₱100 par value per share	1,200,000	-	1,200,000	-	1,200,000
Preferred Stock - B, ₱100 par value per share	5,800,000	-	5,800,000	-	5,800,000
Preferred Stock - Voting	200,000	-	200,000	-	200,000
Common Stock	31,450,770	-	31,450,770	-	31,450,770
Subscribed	244,154	-	244,154	-	244,154
Additional paid-in capital	49,543,741	-	49,543,741	-	49,543,741
Subscriptions receivable	(2,363,138)	-	(2,363,138)	-	(2,363,138)
	86,075,527	-	86,075,527	-	86,075,527
Share-based payments	44,664	-	44,664	-	44,664
Remeasurement losses on defined benefit plans	(4,798,349)	-	(4,798,349)	-	(4,798,349)
Fair value reserve of financial assets at fair value through other comprehensive income	(1,720,601)	-	(1,720,601)	-	(1,720,601)
Cumulative translation adjustments	1,137,912	-	1,137,912	-	1,137,912
Equity reserve	34,262,567	-	34,262,567	-	34,262,567
Retained earnings	260,112,458	-	260,112,458	-	260,112,458
Treasury stock	(12,382,517)	-	(12,382,517)	-	(12,382,517)
Reserves under PFRS 5	-	-	-	-	-
	362,731,661	-	362,731,661	-	362,731,661
Non-controlling interests	202,581,107	-	202,581,107	-	202,581,107
Total Equity	565,312,768	-	565,312,768	-	565,312,768
Total Capitalization***	₱1,043,829,342	₱10,000,000	₱1,053,829,342	₱5,000,000	₱1,058,829,342

* Reflects gross proceeds of ₱10.0 billion assuming a total issue size of ₱10.0 billion of Bonds.

** Reflects an additional ₱5.0 billion in gross proceeds assuming the Oversubscription Option is exercised, bringing the total issue size of ₱15.0 billion of Bonds.

***Total capitalization is the sum of Total Debt and Total Equity.

DETERMINATION OF OFFER PRICE

The Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

The final interest rate of 4.4542% per annum for the Series C Bonds was determined based on the simple average of the three (3)-year PHP BVAL Reference Rate as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time) for the three (3) consecutive Business Days immediately preceding and ending on May 04, 2022, the interest rate setting date, plus a spread of 30 basis points, as determined via a bookbuilding process.

The final interest rate of 5.6239% per annum for the Series D Bonds was determined based on the simple average of the five (5)-year PHP BVAL Reference Rate as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time) for the three (3) consecutive Business Days immediately preceding and ending on May 04, 2022, the interest rate setting date, plus a spread of 35 basis points, as determined via a bookbuilding process.

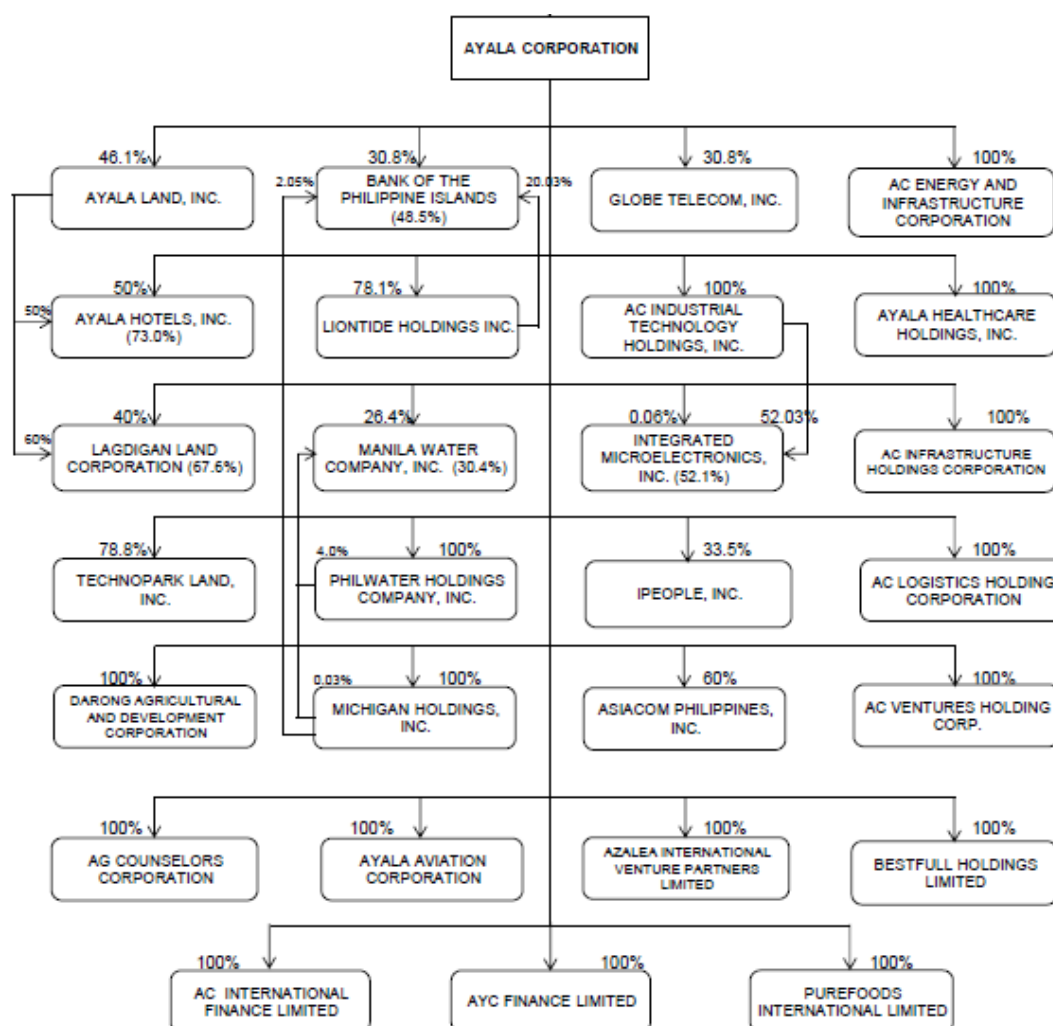
The final interest rate of 6.1351% per annum for the Series E Bonds was determined based on the simple average of the seven (7)-year PHP BVAL Reference Rate as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time) for the three (3) consecutive Business Days immediately preceding and ending on May 04, 2022, the interest rate setting date, plus a spread of 40 basis points, as determined via a bookbuilding process.

THE COMPANY

The following section discusses updates to the Company after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement and the Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement and the Prospectus carefully, including the section entitled “Risk Factors” and the audited financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

OVERVIEW

The Company, one of the largest conglomerates in the Philippines, is organized as a holding company with equity interests in the various Ayala Group companies. The Ayala Group companies engage in the following sectors: real estate, financial services, telecommunications, power, healthcare, logistics, water, industrial technologies, infrastructure education and technology ventures. Set forth below is a chart depicting the Company's portfolio of investments and its effective economic ownership interests in those businesses as of December 31, 2021:



Legend:

% of ownership appearing outside the box - direct % of economic ownership

% of ownership appearing inside the box - effective % of economic ownership

The Company

The Company's activities across multiple industries provides a broad exposure to one of the fastest growing economies in South East Asia.

The Company's unique portfolio of businesses provides various engines for growth and diversification. The positive domestic environment experienced over the past decade has served as a catalyst for the Group to unlock opportunities, develop new ideas, incubate new businesses, and explore prospects for disruptive innovation. The Company took advantage of this encouraging environment to create a portfolio that creates certain hedges against specific macroeconomic and socio-political trends and balances its two major pillars: its core value drivers in real estate, financial services, telecommunications and power; and its emerging businesses in healthcare and logistics. It also has portfolio investments in water, industrial technologies, infrastructure and logistics, education, and technology ventures.

The Group's strategic priority revolves around its 3-point agenda, which includes (a) supporting the continued expansion of its core businesses that are well-positioned to capture fundamental shifts triggered by the pandemic, (b) supporting its emerging units, AC Health and AC Logistics, to achieve scale and become new sources of growth and value for Ayala, and (c) sharpen its portfolio and strengthen its balance sheet through value realization initiatives from which it aims to raise \$1 billion in proceeds by 2023

The Group maintains a healthy balance sheet with access to various financing options to meet debt and dividend obligations as well as fund new investments. A robust risk management system allows the Group to maximize opportunities for reinvention, and navigate the challenges faced by its business units.

The Company's consolidated revenue for the years ended 2019, 2020, and 2021 was ₱295,264.8 million, ₱219,924.6 million, and ₱255,848.6 million respectively, while consolidated net income for the years ended 2019, 2020, and 2021 was ₱41,982.3 million, ₱29,270.3 million, and ₱36,036.1 million, respectively. The Company's consolidated net income for the three years ended December 31, 2021 was primarily derived from its real estate, financial services, telecommunications, power and water businesses.

The Company is currently listed on the PSE. The market capitalization of the Company as of December 31, 2021, based on the closing price of ₱831 per share, was ₱515 Billion (approximately US\$10.1 Billion)

The following table sets forth the Company's principal operating Subsidiaries and its economic ownership interest in those companies as of December 31, 2021:

	Percentage of Economic Ownership
Real Estate:	
Ayala Land and subsidiaries	46.1
Technopark Land, Inc.	78.8
Electronics Manufacturing:	
IMI and subsidiaries	52.1
Information Technology and Business Process Outsourcing Services:	
Azalea International (British Virgin Islands company) (with subsidiaries).....	100.0
Industrial Technology and Vehicle Retail:	
AC Industrials and subsidiaries	100.0
Water:	
Philwater Holdings Company, Inc.	100.0
Power	
ACEIC (with subsidiaries)	100.0
International and Others:	
AC Infrastructure Holdings Corporation (with subsidiary).....	100.0
ACIFL and subsidiary (Cayman Island company).....	100.0
AG Counselors Corporation	100.0
Ayala Aviation Corporation	100.0
AYC Finance Limited (Cayman Island company)	100.0
AC Health (with subsidiaries).....	100.0

The Company

AC Ventures.....	100.0
AC Logistics Holding Corporation	100.0
Bestfull Holdings Limited (incorporated in Hong Kong) and subsidiaries	100.0
Darong Agricultural and Development Corporation	100.0
Michigan Holdings, Inc. and subsidiary	100.0
Purefoods International Ltd.....	100.0

The following table sets forth the Company's principal Associates and Joint Ventures and its economic ownership interest in those companies as of December 31, 2021:

	Percentage of Economic Ownership
Domestic:	
BPI and subsidiaries**	32.9
Liontide Holdings, Inc.*	78.1
Globe*	30.8
Manila Water	30.4
Ortigas Land Corporation	21.0
AA Thermal	40.0
iPeople	33.5
Light Rail Manila Holdings, Inc.	50.0
ALI-ETON Property Development Corporation*	50.0
Philippine Wind Holdings Corporation*	50.2
Emerging City Holdings, Inc.*	50.0
AKL Properties, Inc.*	50.0
Berkshire Holdings, Inc. *	50.0
CDPEI*	35.0
Asiacom Philippines, Inc.*	60.0
Bonifacio Land Corporation	10.0
I.E. Medica Inc.	49.0
Alveo-Federal Land Communities Inc.*	50.0
BF Jade E-Services Philippines, Inc.	44.6
Rize-Ayalaland	49.0
Foreign:	
Star Energy Geothermal B.V. (incorporated in the Netherlands)	19.8
Others	Various

* Joint Ventures

** Associate; the Company had an effective economic interest of 48.6% in BPI which was held (i) directly through a 30.9% stake in BPI, (ii) indirectly through a 2.1% stake in the Company's wholly-owned subsidiary Michigan Holdings and indirectly through 78.1% stake in LHI which holds a 20.1% stake in BPI.

HISTORY

The Company is the holding company of one of the oldest and largest business groups in the Philippines that traces its history back to the establishment of the Casa Roxas business house in 1834. The Company was incorporated in 1968, and its Class A shares and Class B shares were first listed on the Manila and Makati Stock Exchanges (the predecessors of the PSE) in 1976. In 1997, the Company's Class A and Class B shares were declassified and unified as Common Shares.

The Ayala Group's business activities were, for some time, primarily focused on real estate, banking and insurance. In the 1970s and 1980s, the Ayala Group expanded its existing businesses through organic growth and acquisitions. During this period, the Group also materially diversified its activities and disposed of interests that it considered peripheral to its business strategy. Further discussion of the history of certain Ayala Group companies is included elsewhere in this section.

THE COVID-19 PANDEMIC

The COVID-19 pandemic has, and is expected to continue to have, an adverse effect on the Group's businesses and results of operations. While the Philippines was subjected to ECQ at the onset of the pandemic, the community quarantine measures eventually eased up throughout 2020. Metro Manila shifted to GCQ on June 1, 2020, and retained this status until the end of the 2020. Other parts of the country were able to shift to the more lax MGCQ by the end of 2020. For the first few months of 2021, the guidelines on transportation and interregional travel eased. However, with the rise of COVID-19 cases, Metro Manila and the provinces of Bulacan, Cavite, Laguna and Rizal were placed under a stricter version of GCQ for a two-week period beginning on March 22, 2021 as part of the Philippine Government's efforts to control the surge in COVID-19 cases. The restrictions limit travel in and out of covered areas, prohibit in-door dining, and impose curfews. From August 6, 2021 to August 20, 2021, Metro Manila as well as other parts of the nation have reverted to ECQ to arrest the spread of the highly transmissible COVID-19 Delta variant. Metro Manila was subsequently placed under MECQ from August 21, 2021 to September 15, 2021. Starting September 16, 2021, the Philippine government reduced the community quarantine to either ECQ or GCQ with the latter having an alert-level system (Alert Level 1 to 4) with each alert level limiting restrictions only to identified high-risk activities. On September 16, 2021, Metro Manila was placed under GCQ with Alert Level 4. Effective October 16, 2021 to November 4, 2021, Metro Manila was placed under GCQ with Alert Level 3. With the slowdown of COVID-19 cases and to further ease the allowed activities and movement, the Philippine government reduced Metro Manila's Alert Level to 2 from November 5, 2021 to January 2, 2022. With the increasing number of COVID-19 case due to the omicron variant, Metro Manila was placed under Alert Level 3 effective January 3, 2022 to January 31, 2022. For the entire month of February 2022, Metro Manila was on Alert Level 2.

On February 27, 2022, with the declining number of COVID-19 cases in the country, the Philippine government announced that it will ease restrictions in most areas, placing NCR and thirty-eight other areas under Alert Level 1 from March 1 to 15, 2022, subject to the imposition of granular lockdowns and without prejudice to minimum public health standards and health and safety protocols issued by national government agencies for specific sectors.

As part of its measures to address the impact of the pandemic, the Philippine Congress passed the Bayanihan Act I into law, which confers emergency powers on the President of the Philippines and subsequently, the Bayanihan Act II was passed. The Bayanihan Act II seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic. Similar to the Bayanihan Act I, the Bayanihan Act II confers emergency powers to President Duterte which will be in effect until 19 December 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same." In addition, the Bayanihan Act II also imposed a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly instalments.

Vaccination Effort

Beyond navigating its business units through this crisis, the Group strives to actively contribute to the country's COVID-19 response through its vaccination efforts. Including donations to the Government, the Group has procured one million doses of COVID-19 vaccines, which came in throughout the second half of 2021.

Within the Group, the Ayala Vaccine and Immunization Program ("AVIP") was launched, which opened vaccination to all employees at no cost. This initiative has been extended at cost to the broader ecosystem which comprises of employee's dependents, extended dependents, and business partners in program called "COVIDShield".

To efficiently administer the vaccines, AC Health, the healthcare arm of the Group, prepared for twenty-four (24) sites across the country, operated by AC Health's clinic and hospital group, Healthway and QualiMed Health Network and other partner hospitals. As of April 5, 2022, AC Health has administered

The Company

over 760,000 doses of primary and booster shots. At this point, 98% of the regular employees of the Ayala Group have been vaccinated.

Powering WTC and other COVID-19 Assistance Centers

The World Trade Center (“WTC”) in Pasay City, Philippines was converted into a designated quarantine facility called the “WTC We Heal as One Center” in April 2020. The Group oversaw the project, together with the ICCP Group and Manila Exhibition Center, Inc. (“MEC”), with support from the Bases Conversion Development Authority (“BCDA”) and the Philippine National Government.

The Group covered 50% of the facility’s electricity cost until May 31, 2020, and has donated critical supplies such as bed frames, mattresses, pillows and other furnishings, for a total package of approximately ₱24 million for the duration of the WTC We Heal as One Center’s operations.

The Group also partnered with the La Salle group as they launched their Safe Shelter project and opened their doors to provide a temporary home for COVID-19 frontline workers. The Group also covered the electricity cost of the designated facilities such as La Salle Greenhills, DLSU-College of St. Benilde, and the De La Salle University until end April 2020, and also donated needed supplies such as mattresses and pillows.

Bringing medical aid to vulnerable groups

The Group donated funds to support the UP PGH AO project to develop venti masks, a breakthrough mask that aims to lower the risk of COVID-19 patients to be intubated and sedated, thereby allowing patients to remain conscious and fight for life.

The Group likewise supported the conversion of QualiMed in Sta. Rosa and San Jose Del Monte into COVID-19 dedicated hospitals and the HOPE project in Quezon City, Philippines, a 175-bed capacity quarantine center. The total cost for these projects was approximately ₱7 million.

Project Ugnayan and Project Pananagutan

The Group took part in Project Ugnayan, a fund-raising initiative together with more than thirty (30) conglomerates and in partnership with the Philippine Disaster Resilience Foundation and Caritas Manila, to raise funds in support of families that have been economically displaced by the ongoing ECQ in Metro Manila, Philippines.

In April 2020, the Group raised over ₱6 million in contribution to the project, and another ₱6 million for food reserve. In true Bayanihan spirit, the Philippine business community came together and raised a total of ₱1.5 billion that month to assist the most vulnerable in society.

The Group started Project Pananagutan to serve three main groups - employees of partner companies affected by “no work, no pay” employment arrangements, medical front- liners in need of personal protective equipment and other life-saving medical resources, and families in great need of access to food. To date, the Group has pooled around ₱48 million under Project Pananagutan.

Workplace Protocol

The Group has implemented a COVID-19 safety protocol and disseminated a guidebook to all employees which defines and enumerates specific measures to attain safe and healthy workforce as well as safe and healthy workplace. Testing Centers, quarantine facilities as well as designated hospitals have been identified and established to handle possible cases related to the virus. Updates on the protocols and policies are done regularly to help with the dynamic change in local regulation. These facilities and programs have been extended to immediate family members of the Group’s employees as well as outsourced employees assigned to the Group. The Group currently adopts a policy of flexible work arrangement that permit employees to perform their roles at any location where employees feel that efficiency and productivity are maximized. The Group has also enhanced its medical benefits, including provision for teleconsultation, access to a psychologist and psychiatrist, making COVID-19 related cases part of the health insurance coverage and others.

The Company

Countries around the world are bracing themselves for unprecedented health, social and economic impact of the COVID-19 pandemic. While the full impact economic and market outlook remain uncertain, the Group believes there will be opportunity to help society stay resilient and eventually transition to a new normal. The Group is focused on maintaining a healthy balance sheet to weather looming economic headwinds. The Group is also prepared with scenario-based business continuity plans to ensure the health and safety of its employees, to continue to serve its customers, and to maintain the trust of its investors.

The Group has been pro-active in helping address health, social and economic needs of the country in line with its shared values of nation-building. See “– Healthcare” below.

Strategy

Please refer to page 97 of the Prospectus.

Geographical Segments

Ayala generates foreign sales through its subsidiaries, AC Industrials (including but not limited to IMI), Bestfull Holdings Limited, AG Holdings, and Azalea International. The table below lists the contribution of each geographical market to Ayala’s foreign sales, total assets, investment properties and property, plant, and equipment additions:

In Million Pesos	Revenue			Total Assets		Investment Properties and Property, Plant and Equipment Additions	
	2021	2020	2019	2021	2020	2021	2020
Philippines	P188,755	P159,123	P225,705	P1,169,411	P1,123,684	P37,161	P16,136
Europe	29,894	29,036	32,626	29,121	23,462	821	494
Asia	25,648	24,069	23,561	115,469	226,546	223	241
USA	11,552	7,697	13,373	34,985	32,066	244	33
	P255,849	P219,925	P295,265	P1,348,986	P1,405,758	P38,449	P16,904

Recent Sale of Unregistered Securities

Please refer to pages 98-99 of the Prospectus for a complete discussion on recent sale of unregistered securities.

The following shares were issued to or subscribed by the Company’s executives in 2021 as a result of the exercise of the ESOP and the subscription to the ESOWN plans:

<u>Year</u>	<u>No. of shares</u>	
	<u>ESOP</u>	<u>ESOWN*</u>
2021	253,806	558,849

**Net of cancelled subscriptions.*

Issuance and Exchange of Securities

Please refer to page 99 of the Prospectus.

MATERIAL CONTRACTS

Ayala has not entered into any material contract or agreement within the past two years immediately preceding this filing. In any event, the following are the contracts or agreements entered into by Ayala since the date of the Prospectus, which may be of significance or outside the ordinary course of business to be performed in whole or in part at or after such date:

- (a) In September 2021, Ayala unconditionally and irrevocably guaranteed the issuance by AYC Finance Limited of a U.S. Dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate principal amount of U.S.\$400 million with an annual coupon of 3.90% for life with no step-up.

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- (b) In November 2021, Ayala unconditionally and irrevocably guaranteed the issuance by AYC Finance Limited of a 10-year social bond through a private placement by the International Finance Corporation for an amount of U.S.\$100 million which will be used for the sustainable and resilient growth and capacity building of Group's healthcare arm.
- (c) In November 2021, Ayala entered into a Share Purchase Agreement with Asti Business Services, Inc. for the sale of its 100% stake in HCX Technology Partners, Inc., which was completed on the same day. The total assets and total liabilities of HCX, which were consolidated by Ayala prior to such sale, amounted to ₱174 million and ₱94 million, respectively.
- (d) In December 2021, Ayala signed an Investment Agreement with PAVI for the sale of its 100% ownership stake in MCXPCI, the special purpose corporation that will hold the concession assets, rights and obligations under the Concession Agreement for the MCX Project. In its letter dated March 10, 2022, the DPWH granted its consent to the transfer of the concession assets and obligations under the MCX Concession Agreement from Ayala to MCXPCI.
- (e) In January 2022, Ayala, Mermac, and ALI signed a Deed of Exchange whereby Ayala and Mermac will transfer assets to ALI in exchange for its primary common shares. Subject to regulatory approvals, Ayala will subscribe to 309,597,711 primary common shares of ALI in exchange for assets valued at ₱17,275,552,273.80 at a value of ₱55.80 per share, as validated by a third-party fairness opinion. After the property-for-share swap is approved and completed, Ayala's ownership in ALI will increase from 46.1% to 47.2% of ALI's total outstanding common shares.
- (f) In March 2022, Ayala together with Globe entered into a joint venture partnership with ST Telemedia Global Data Centers ("STT GDC") for the development, construction, and operation of data center projects in the Philippines. Pursuant to this joint venture partnership, each of Ayala and STT GDC executed share subscription agreements for their subscriptions to new shares in KarmanEdge, Inc., a 100% owned subsidiary of Globe through GTIBH, that will house the carved-out data center business, which has the potential to expand up to 100MW capacity in the mid to long term. Globe, through GTIBH, remains the largest shareholder of KarmanEdge, Inc. with 50% of the total outstanding capital stock, followed by STT GDC with 40%, and Ayala with 10%.
- (g) In March 2022, Ayala and FMI agreed to restructure the convertible loan disbursed to FMI, through VIP Infrastructure, into a perpetual loan by executing: (a) a Restructured Loan Agreement, whereby the loan will be automatically converted to shares in FMI at the fixed price of MMK15,000 when certain conditions are met, including the 7-day volume weighted average price of a Share of the FMI being equal to or greater than MMK15,000, which is the issue price for the shares; and (b) a Termination Agreement with respect to the Convertible Loan. Following the execution of the documents, Ayala shall retain its rights under the Convertible Loan Agreement.

MATERIAL PATENTS, TRADEMARKS, AND INTELLECTUAL PROPERTIES

Please refer to page 100 of the Prospectus.

CHANGES IN CONTROL

Please refer to page 100 of the Prospectus.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please refer to pages 100-102 of the Prospectus.

GOVERNMENT REGULATIONS AND AUTHORIZATIONS

The Company possesses, and each of its principal Subsidiaries possesses, all government authorizations and approvals necessary to conduct their respective businesses and the Issuer is, and each of its principal Subsidiaries is, in material compliance with such authorizations and approvals.

The Company

COSTS OF ENVIRONMENTAL COMPLIANCE

As Ayala is a holding company, costs related to environmental compliance have been minimal and have not been material.

GENERAL CORPORATE INFORMATION

Corporate Governance

Ayala has always been a staunch advocate of corporate governance and is a Sustainability pioneer in the Philippines. Its strong governance structures and initiatives have garnered Ayala multiple recognitions, both locally and regionally. As governance stalwarts, it has endured for more than 187 years by epitomizing integrity in the conduct of its business and by providing long-term value to its shareholders and other stakeholders. The Company's corporate governance principles are formalized in its Manual on Corporate Governance, the latest version of which was filed with the SEC on March 19, 2021 (the "Revised Manual"). The Revised Manual establishes corporate governance practices that are founded on internationally recognized rigorous standards, systems and processes designed to ensure the Company's progress and stability, that an effective system of check and balance is in place and that a high standard of accountability and transparency to all stakeholders is enforced.

The Revised Manual conforms to the SEC's requirements for manuals on corporate governance. It defines primarily the roles and responsibilities of the Board and Management. More importantly, it includes a statement of their respective liabilities in the event of non-compliance or violations of any of the provisions of the Revised Manual. It also establishes, among others, policies on (a) independent directors, (b) Board committees, (c) conflicts of interest, (d) internal and external audit procedures and practices, including risk management, (e) whistleblowing, (f) stockholders' rights and interests and (g) management's responsibility to communicate and inform stakeholders on matters related to the Company's affairs. The principles embodied in the Revised Manual lay the foundation for the appropriate supervision and proper management of the Company to safeguard shareholders and other stakeholders' interests and to ensure the Company's long-term growth and sustainability. In line with this, Ayala endeavors to fully comply with the Revised Manual through among others, the following:

- a) The Company annually assesses its compliance with the SEC Code of Corporate Governance for Publicly Listed Companies and its Revised Manual through the Integrated Annual Corporate Governance Report submitted to the SEC.
- b) The Board conducts and accomplishes an annual Board Performance Self-Assessment indicating compliance ratings. The evaluation system was established to measure or determine the level of compliance of the Board of Directors and top-level management with the Revised Manual and ratings are submitted to the Compliance Officer. The Compliance Officer reports the results to the Board in the next meeting after the assessment. Every three years, the board assessment is conducted by an independent third party. In 2020, the assessment was conducted by Aon plc.
- c) 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.
- d) The Company strives to fully adhere to the leading practices and principles of good corporate governance contained in the Revised Manual.
- e) The Company periodically reviews and updates its By-Laws, Board Charter and Revised Manual as further steps to ensure adherence to prevailing principles and practices of good corporate governance. A review of the Board Charter and Revised Manual is ongoing to align with the Board's oversight responsibility on Sustainability and Climate-related matters.
- f) The Board actively performs its fiduciary duty to the Company, including regularly meeting at least six times every calendar year.

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- g) The Board ensures the presence and adequacy of internal control mechanisms for good governance in accordance with the Revised Manual. The minimum internal control mechanisms for the Board's oversight responsibility include, but are not limited to:
1. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
 2. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
 3. Appointing a CEO with the appropriate ability, integrity and experience to fill the role, as well as defining the CEO's duties and responsibilities;
 4. Reviewing proposed senior management appointments;
 5. Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Company's personnel and human resources policies, compensation plan and the management succession plan;
 6. Institutionalizing the internal audit function; and
 7. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.
- h) The Company adopts necessary policies to promote stronger corporate governance practices. In line with the increasing stakeholder focus on diversity in the boardroom, the Board adopted a Board Diversity Policy and elected its first female director in 2020. Further, to ensure the protection of shareholder interests and the integrity of its related party transactions, the Company regularly reviews and updates its Related Party Transactions Policy in compliance with SEC Memorandum Circular No. 10, Series of 2019.

Shareholder and Investor Relations

It is the policy of the Company to encourage active participation and regular dialogues with institutional and retail investors. Through its Investor Relations Unit, information requirements of the investing public and minority shareholders are fully disclosed to securities regulators on time.

In 2021, Ayala's Investor Relations Unit continued to utilize virtual channels to safely engage with its stakeholders amidst the pandemic. Throughout the year, the group's senior management team proactively engaged investors and analysts to provide regular updates on how the company is responding to the pandemic across strategic, financial, and operational aspects. The Company laid out a Three-Point Strategic Agenda for 2023 before the investor community and the capital market to demonstrate its efforts towards managing through the impact of the pandemic, adjusting to the disruptions, and taking advantage of opportunities from the fundamental shifts that emerged from the global health crisis.

Regular events conducted by the Investor Relations Unit include virtual investors' and analysts' meetings, investor conferences, the Company's Annual Stockholders' Meeting, and quarterly earnings calls. Additionally, the Company conducted thematic sessions featuring key business units in Ayala's portfolio, tackling relevant topics such as reopening of the economy, digitalization, decarbonization, and ESG.

Moreover, the Investor Relations Unit conducts an annual bespoke Investor Relations Summit for the senior leadership, investor relations, finance, governance, sustainability, and communications professionals catered to their professional development and aimed at ensuring the group is kept abreast of global best practice. In 2021, the Ayala Group IR Summit covered five relevant topics namely, positioning the Philippines in a regional investor's portfolio, the future of investor relations in a post-pandemic environment, communicating shareholder value creation, investment stewardship, and investor engagement in the new normal.

BUSINESS

The following section discusses updates to the Business after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement and the Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement and the Prospectus carefully, including the section entitled “Risk Factors” and the audited financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

REAL ESTATE

The Ayala Group has been in the real estate business since 1947. It is responsible for transforming Makati into the premier central business district of the Philippines and the site of some of Metro Manila’s most prestigious residential communities.

Ayala Land was the real estate division of the Company until 1988 when it was spun-off and incorporated to enhance management focus on, and to highlight the value of assets, management and capital structure of, the real estate business. The company’s shares were offered to the public and listed on the Manila and Makati Stock Exchanges (the predecessors of the PSE) in 1991. This IPO diluted the Company’s effective voting and economic interests in Ayala Land to 88%. Since then, the Company’s effective voting and economic interests have been further reduced to 68.1% and below 52.89%, respectively, as of December 31, 2021 through, among other things, the exercise of stock options by the employees of the Company and Ayala Land, disposals of company shares by the Company, conversions of the company’s other securities into the company’s common shares and top-up placements of the company’s common shares.

Ayala Land is the largest and most diversified real estate conglomerate in the Philippines. It is engaged in land acquisition, planning, and development of large scale, integrated, mixed-use, and sustainable estates, industrial estates, development and sale of residential and office condominiums, house and lots, and commercial and industrial lots, development and lease of shopping centers and offices, co-working spaces, and standard factory buildings and warehouses, and the development, management, and operation of hotels and resorts and co-living spaces. The Company is also engaged in construction, property management, retail electricity supply and airline services. It also has investments in AyalaLand Logistics Holdings Corp., Ortigas Land Corp., MCT Bhd., and Merkado Supermarket. Ayala Land has thirty (30) estates, is present in fifty-seven (57) growth centers nationwide and has a total land bank of 12,483 hectares as of December 31, 2021.

New Projects

Reflective of ALI’s confidence in the residential market, it launched twenty-two (22) projects worth ₱75.26 billion during the year. This figure was more than seven times the launch value in 2020. 48% are horizontal projects, while the rest are vertical projects. Launches in the fourth quarter include ALP’s Ciela Heights Phase 1 in Carmona, Cavite; ALVEO’s Sentrove Tower 1 in Cloverleaf, Quezon City; and Amaia’s Scapes Bulacan S4B in Santa Maria, Bulacan and Steps Two Capitol Tower 1 in Capitol Central, Bacolod City.

Businesses

Ayala Land’s businesses are organized into several core and non-core supporting business units. Its core business units consist of property development, strategic landbank management, shopping center leasing, office leasing and hotels and resorts. Its non-core, supporting business units include construction and property management. The chart below sets out Ayala Land’s revenues for the year ended December 31, 2021, broken down by business segment:

	For the year ended December 31, 2021
Residential	65,260
International	3,878
Shopping Centers	7,925
Offices	9,873
Hotels and Resorts	2,833
Construction	3,909
PM and Others	2,467
Total	<u>96,145</u>

Selected Key Performance Indicators

	As of December 31, 2021
Financial Performance Indicators	
Current Ratio ¹	1.58
Debt-to-Equity Ratio ²	0.82
Net Debt-to-Equity Ratio ³	0.77
Return on Assets ⁴	2.13%
Assets-to-Equity Ratio ⁵	2.76
Interest Rate Coverage Ratio ⁶	4.01
Operational Performance Indicators	
Shopping center gross leasable area (million sq.m.)	2.12
Shopping center occupancy	84%
Office gross leasable area (million sq.m.)	1.32
Office occupancy	86%
Hotel and resort rooms	4,030
Hotel occupancy	53%
Resort occupancy	15%

1 Current assets/current liabilities

2 Total debt/Total stockholders' equity. Total debt consists of short-term debt, long-term debt - net of current portion and current portion of long-term debt)

The calculation for Debt-to-Equity Ratio is as follows:

	As of December 31, 2021 (Audited)
Short-term debt	16,783
Current portion of long-term debt	26,174
Long-term debt – net of current portion	<u>180,140</u>
Total debt	223,097
Total Stockholders' Equity	<u>270,502</u>
Debt-to-Equity Ratio	0.82

3 Net debt/Total stockholders' equity. Net debt equals total debt less cash and cash equivalents, short-term investments and Financial Assets at Fair Value through Profit and Loss

The calculation for Net Debt-to-Equity Ratio is as follows:

Business

	As of December 31, 2021 (Audited)
Short-term debt.....	16,783
Current portion of long-term debt	26,174
Long-term debt – net of current portion	180,140
Total debt.....	223,097
Less:	
Cash and cash equivalents	13,971
Short-term investments	326
Financial Assets at Fair Value through Profit and Loss	701
Net debt.....	208,099
Total Stockholders' Equity	270,502
Net Debt-to-Equity Ratio	0.77

4 Total net income/average total assets

Average for December figures is based on the sum of the December figures of the prior year and the current year divided by two. Average for June figure is based on the sum of the June figures of the prior year and the current year divided by two.

5 Total assets/total stockholders' equity

6 EBITDA/Interest expense where EBITDA is calculated as income before income tax plus interest and other financing charges, other charges and depreciation and amortization, less interest and investment income.

The calculation for interest rate coverage ratio is as follows:

	For the year ended December 31, 2021 (Audited)
Income before income tax	20,288
Interest and other financing charges	11,038
Other charges	3,637
Depreciation and amortization	8,821
Less: interest and investment income (including interest income from real estate sales)	7,054
EBITDA.....	36,729
Interest expense (excluding interest expense from lease liabilities)	9,169
Interest Rate Coverage Ratio	4.01

Property Development

Ayala Land's property development business comprises its Strategic Land Bank Management Group, Visayas-Mindanao Group, Residential Business Group and MCT Bhd, Ayala Land's listed subsidiary in Malaysia.

(a) Strategic Landbank Management

Ayala Land's strategic landbank management group is involved in the acquisition and development of large, mixed-use, masterplanned communities and serves as platform for all of Ayala Land's developments – residences, malls, offices, and all the services that make up a vibrant and sustainable community.

With a long-term horizon, the strategic landbank management group views its key landbank areas as platforms for growth. Its approach to landbanking is oriented towards value creation and realization. The strategic landbank management group applies financial discipline with a focus on yields, cash flows, and the judicious buying and selling of lots at the opportune time. The group develops, updates and refines masterplans, providing clear framework for decision making. It also engages community-based stakeholders such as local government units and other government entities to assure that vital infrastructure is in place to support the long-term development plans. Embedded in all these, and central to value creation and retention over time, is the concept of sustainability.

Business

As of December 31, 2021, Ayala Land's land bank portfolio of 12,483 hectares is composed of 274 hectares in Metro Manila, 10,063 hectares in other areas in Luzon and 2,146 hectares in Visayas and Mindanao.

Visayas-Mindanao Group

The Visayas-Mindanao Group handles the acquisition, planning and development of large scale, mixed-use and sustainable estates in its key cities in the Visayas and Mindanao regions.

(b) *Residential Business Group*

The Residential Business Group handles the development and sale of residential and office condominiums and house and lots for the luxury, upscale, middle-income, affordable and socialized housing segments, and the development and sale of commercial lots under the following brands: AyalaLand Premier ("ALP") for luxury lots, residential and office condominiums, Alveo Land Corp. ("Alveo") for upscale lots, residential and office condominiums, Avida Land Corp. ("Avida") for middle-income lots, house and lot packages, and residential and office condominiums, Amaia Land Corp. ("Amaia") for affordable house and lot packages and residential condominiums, and BellaVita Land Corp. ("BellaVita") for the socialized house and lot packages.

Ayala Land plans to continue to grow its residential development business line, which accounted for 60% of consolidated revenues for the year ended December 31, 2021. A robust project pipeline is expected to enable Ayala Land to expand its product offerings in existing areas and accelerate geographic expansion, aided by strategic landbanking and mixed-use development and project management projects.

Ayala Land expects to strengthen and provide clear differentiation across its five residential brands, each targeting a distinct segment of the market: *ALP* for the luxury segment, *Alveo* for the upscale market; *Avida* for the middle-income housing segment; *Amaia* for the affordable housing segment; and *BellaVita* for the socialized housing segment.

To be more competitive, Ayala Land expects to continue to enhance margins by leveraging its brand and track record to maximize pricing power where possible, along with managing construction costs and streamlining the project delivery process.

Ayala Land's ongoing residential projects under the ALP brand include Parklinks, One Vertis Plaza, Park Central Towers North & South, and West Gallery Place. These projects are currently under construction and are in various stages of completion ranging from 25% to 95%. Under the Alveo brand, key ongoing projects include Broadfield, Travertine at Portico, Ardia and Corvia. These projects are currently under construction and are in various stages of completion ranging from 21% to 82%. Under the Avida brands, key ongoing projects include AT Sola T2, AT Cloverleaf T2, AT Makati Southpoint T1, and AT Verge T1 & T2. These projects are currently under construction and are in various stages of completion ranging from 61% to 91%. Under the Amaia brand, key ongoing projects include Skies Shaw T2, Skies Avenida T2, and Series Vermosa S1. These projects are currently under construction and are in various stages of completion ranging from 35% to 66%. Under the Bellavita brand, key ongoing projects include BV Cabanatuan 2 and BV Naga. These projects are currently under construction and are in various stages.

International Sales accounted for 26% of total sales for the fiscal year ended December 31, 2021.

(c) *MCT*

MCT Berhad (Malaysia) contributed ₱3.9 billion in revenues, a 20% decline from ₱4.9 billion as lower contributions from completed and sold-out older projects offset higher sales and completion from its middle-income brand Market Homes and new launches.

Commercial Leasing

Commercial Leasing involves the development and lease of shopping centers through Ayala Malls, and offices, through Ayala Land Offices, co-working spaces through the "Clock In" brand, and standard

Business

factory buildings and warehouses under ALLHC, and the development, management, and operation of hotels and resorts through AyalaLand Hotels and Resorts, Inc. and co-living spaces through “The Flats” brand.

(a) *Shopping Centers*

The Ayala Malls group is involved in the development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; and management and operations of malls which are co-owned with partners. involved in the development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; and management and operations of malls which are co-owned with partners.

Ayala Land operates movie theater complexes with more than fifty (50) screens situated in its shopping centers. The movie theaters are operated primarily as a means of attracting customers to its shopping centers. The theaters are managed by Ayala Theaters Management, Inc. and Five Star Cinema, Inc., wholly-owned subsidiaries of Ayala Land.

Leases for retail space within the shopping centers are generally short-term, ranging from one to five years for the initial lease, renewable annually. Land leases, on the other hand, have longer terms, usually up to fifty (50) years in the case of hotel tenants. In general, rental rates for retail space equal the higher of (i) a basic rent plus a percentage of the tenant's gross sales, or (ii) a specified minimum amount. Rental rates for leases on hotel and department store sites are generally based on a percentage of gross sales.

Ayala Land's large-scale mixed-use developments that feature a retail component are greatly enhanced by the quality and distinctiveness of the retail concepts conceived and implemented by AMG. At the BGC, for instance, Serendra, BHS and BHS Central are priming the development in its City Center. Serendra's retail zone complements the suburban lifestyle of the residential development with authentic and unique restaurants and shops.

Recognizing the impact of COVID-19 on its merchants, Ayala Malls provided rent condonation and subsidy for the duration of the various community quarantines. In 2020, the rent condonation extended amounted to ₱6.2 billion and in 2021, the total support extended amounted to ₱7.2 billion. Health and safety measures were strictly implemented in accordance with government protocols to protect mall patrons.

Ayala Malls also focused on various digital initiatives in response to the new operating landscape. Z!ng, its digital concierge and loyalty app, was further enhanced to include a virtual mall with 61 merchants and an eGift Marketplace. It also rolled out the AyalaMalls Neighborhood Assistant (ANA), a personal shopper service for mall patrons. Other initiatives introduced were Live Online Shopping at Pasyal TV and DriveBuy, a curbside pick-up facility for callers and online shoppers. Ayala Land operates twenty-five (25) movie theater complexes situated in its shopping centers. The movie theaters Average and stable occupancy rates were at 81% and 84%, respectively, for the year ended December 31, 2021. Ayala Land operates and manages a total of more than 32 shopping centers and 63 amenity retail areas with a combined 2.1 million square meters in GLA as of December 31, 2021.

(b) *Offices Group*

Ayala Land Offices Group is involved in the development and lease or sale of office buildings and fee-based management and operations of office buildings.

Ayala Land aims to be the leading provider of office space for BPOs and significantly built up its BPO portfolio from end-2007 levels of 35,803 sqm of GLA. The build-up involved a variety of offerings - in very choice locations - covering stand-alone, build-to-suit office buildings, integrated nodes within large-mixed used developments such as Glorietta 5, Glorietta 1 & 2, and Vertex One in San Lazaro, and entire self-contained BPO and IT campuses like the UP-Ayala Land TechnoHub, One and Two Evotech Buildings in NUVALLI, and the AyalaLand Baguio TechnoHub, to name a few.

Business

While Makati has been well established as the country's premier CBD for decades, the prospects are bright for BGC to mirror Makati's success in the future. Large corporates have purchased land and have chosen to build or relocate their offices in BGC.

The office leasing business remained resilient on the back of sustained BPO and headquarter-type operations. Despite restrictions on construction, Ayala Land Offices ("ALO") added two new office buildings to its portfolio, with BGC Corporate Center 2 with 27,000 sqm and Central Block Corporate Center 2 in Cebu with 39,000 sqm of GLA.

All office properties adhered to IATF health and safety guidelines. Service personnel were housed on-site at the height of the pandemic to protect their health and safety as well as assure the continued operations of all buildings. To support BPO tenants, accommodations at Seda Hotels were arranged for their employees.

The Ayala Land offices group is involved in the development and lease or sale of office buildings and fee-based management and operations of office buildings.

Average and stable occupancy rate registered at 86%, for the year ended December 31, 2021. Ayala Land owns and operates eight (8) traditional and sixty-four (64) BPO buildings with a combined total GLA of 1.32 million square meters as of December 31, 2021, with the delivery of approximately 63,000 sq. meters of GLA at Ayala Triangle Gardens Tower 2 and 31,000 sq. meters of GLA at One Ayala Tower 1.

(c) *Hotels and Resorts*

Ayala Land is also involved in the development, operation and management of branded and boutique/businessman's hotels and eco-resorts.

The hotels and resorts business manages 660 hotel rooms in its international brand segment – 312 from Fairmont Hotel and Raffles Residences and 348 from Holiday Inn & Suites, both of which are in the Ayala Center, Makati CBD.

There are 11 Seda Hotels, operating 2,712 rooms – Atria, Iloilo (152 rooms); BGC, Taguig (521); Centrio, Cagayan de Oro (150); Abreeza, Davao (186); Nuvali, Santa Rosa, Laguna (150); Vertis North, Quezon City (438); Capitol Central, Bacolod (154); Lio, Palawan (153); Ayala Center Cebu (301); Seda Residences Ayala North Exchange (293) and Seda Central Bloc (214).

Circuit Corporate Residences operates 255 rooms.

El Nido Resorts operates 193 rooms from its four island resorts—Pangulasian, Lagen, Miniloc, and Apulit. The Lio Tourism Estate currently has 132 rooms under its Bed and Breakfast ("B&B") and Dormitel offerings, while the Sicogon Tourism Estate in Iloilo currently has 78 B&B rooms.

The average occupancy for all hotels and stable hotels was at 53%. Meanwhile, the average occupancy for all resorts stood at 17% and 15% for stable resorts. The hotels and resorts segment ended 2021 with a total of 4,030 rooms.

(d) *Co-Living Spaces*

The Flats, launched its Safe Co-Living campaign showcasing its different safety measures, including frequent sanitation of common areas, UV disinfection, free sanitation kits, and monitored resident access. It offered flexible and affordable accommodation packages to help address the needs of the workforce seeking safe lodging during this time.

The Flats currently has two branches located in the Makati CBD and BGC, with a total bed count of 1,972 as of end-2021. More branches are being planned for opening in the next few years to offer affordable residential leasing arrangements for professionals in city centers Co-Working Spaces

Business

Clock In provides flexible, co-working and serviced office facilities to start-ups, small, and mid-sized enterprises. With eight facilities located in the Makati CBD, BGC, Quezon City, Pasig City, Alabang, and Lio Palawan. Clock In offers a total of 1,411 seats as of end-2021.

Industrial Parks

Standard Factory Buildings and Warehouses (ALogis) Listed subsidiary AyalaLand Logistics Holdings Corp. (ALLHC) established the ALogis brand for its industrial leasing business. It has standard factory buildings that cater to locators that need ready-built industrial facilities. As of December 31, 2021, total GLA of ALogis reached 224,000 sqm.

(e) *Supermarkets*

ALI Capital Corporation (formerly Varejo Corporation), a subsidiary of Ayala Land, entered into a joint venture agreement with Entenso Equities Incorporated, a wholly-owned entity of Puregold Price Club, Inc., to develop and operate mid-market supermarkets (branded as Merkado Supermarket) for some of Ayala Land's mixed-use projects. The first supermarket opened in the third quarter of 2015 at UP Town Center, while the second store was opened in December 2017 in Ayala Malls Vertis North.

Services

Ayala Land's services businesses comprise construction of Ayala Land and third-party projects by Makati Development Corporation ("MDC"), property management through Ayala Property Management Corporation ("APMC"), retail electricity supply through Direct Power Services, Inc. ("DPSI"), Ecozone Power Management, Inc. ("EPMI") and Philippine Integrated Energy Solutions, Inc. ("PhilEnergy"), and airline services through AirSWIFT for Ayala Land's tourism estates in Lio, Palawan and Sicogon Island resort, through AirSWIFT's fleet of four modern turbo-prop aircrafts.

(a) *Construction*

A wholly-owned subsidiary of Ayala Land, MDC is engaged in engineering, design and construction of vertical and horizontal developments including roads, bridges and utilities. MDC is responsible for horizontal construction works at Ayala Land's land developments and is likewise engaged in private industrial and government infrastructure projects. MDC also developed residential condominium buildings and mall projects. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors. MDC collaborated with First Balfour, Inc. to build the state-of-the-art 600-bed St. Luke's Medical Center at BGC, which was completed in November 2009 and was opened to the public in January 2010.

MDC's outstanding workmanship was demonstrated by the Leadership in Energy and Environmental Design ("LEED") Gold Certification by the U.S. Green Building Council for the design and construction of the US Embassy expansion project in Manila – the first for a non-American contractor.

MDC Build Plus was likewise formed, a 100% subsidiary of MDC, which caters primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita. MDC is engaged in engineering, design and construction of vertical and horizontal developments including roads, bridges and utilities. MDC is responsible for horizontal construction works at Ayala Land's land developments and is likewise engaged in private industrial and government infrastructure projects. MDC also developed residential condominium buildings and mall projects. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors. MDC collaborated with First Balfour, Inc. to build the state-of-the-art 600-bed St. Luke's Medical Center at BGC, which was completed in November 2009 and was opened to the public in January 2010.

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Business

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As of December 31, 2021, MDC managed a total of 316 projects with a net order book value of ₱78.8 billion.

(b) *Property Management*

APMC is engaged in property management, principally for Ayala Land and its subsidiaries. It also provided its services to third-party clients.

APMC guarantees worry-free ownership and helps property owners over the long haul in such areas as water, power and telecommunications, security, sustainable design and best practices aligned with green buildings, and assistance in managing the properties of owners living elsewhere. It offers a full suite of services not only to Ayala property owners and lessees but also to third party clients, including a centralized 24/7 concierge service as well as manages third party-carparks and is considered one of the largest third party carpark operators in the country today. Among its key third-party clients are the Makati Medical Center, Philippine Heart Center, Exim 2, Dusit Carpark and ABS-CBN.

As of December 31, 2021, APMC managed a total of 264 properties with a total contract value of ₱1.3 billion.

Other Businesses

REIT

AyalaLand REIT, Inc. ("AREIT"), a subsidiary of Ayala Land, was listed as a real estate investment trust ("REIT") on the Philippine Stock Exchange on August 13, 2020. AREIT 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. As of December 31, 2021, Ayala Land's effective ownership of AREIT was at 50.14% as a result of the public offering.

As of December 31, 2021, AREIT's properties were as follows:

- **Solaris One**, a 24-story, Grade A, PEZA-accredited commercial building previously known as EServices 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 square meters of gross leasable area, and 73,322 square meters of gross floor area 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-story retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-story building consisting of 12-story HQ Office, with the remaining 18-stories housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-story, 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 gross leasable area of Ayala North Exchange is 95,300.35 square meters and its gross floor area is 120,154 square meters. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.
- **McKinley Exchange**, a 5-story Grade A, PEZA-accredited mixed-use development, which began operations in 2015, with gross leasable area of 10,687.50 square meters, 9,633.32 square meters of which is designated for commercial office leasing, and gross floor area of 14,598.40 square meters, on a plot of land with an area of 4,513 square meters, located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two basement levels for car parking, offering a total

of 120 parking slots. On January 31, 2020, AREIT entered into a contract of lease with Ayala Land 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 gross leasable area of 18,092.66 square meters located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- **Laguna Technopark Land**, located in Laguna Technopark, with the leased land composed of four (4) parcels occupied by IMI in two (2) sites currently under a long-term lease for its global manufacturing and technology solutions. The parcels have a gross leasable area of 98,179 square meters.
- **The 30th**, a commercial building completed in 2017. It is composed of a 19-story office tower with a GLA of 47,781 square meters and a 4-story retail podium with a GLA of 26,833 square meters which is operated by North Easter Commercial Corp., a wholly-owned subsidiary of Ayala Land under the AyalaMalls brand. Located along Meralco Avenue in Pasig City, the building has a total GLA of 74,704 square meters.
- **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 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 thirty-seven (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 thirty-seven (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

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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.

On March 10, 2022, the Board of Directors of AREIT, Inc. (AREIT) approved the subscription of Ayala Land to 252,136,383 AREIT primary common shares, in exchange for six office buildings located in Cebu, valued at ₱11,257,889,535.91, under a property-for-share swap, as validated by a third-party fairness opinion.

On June 8, 2021, AREIT and Ayala Land and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc., executed the Deed of Exchange on a property-for-share swap transaction for ₱15.5 billion worth of commercial assets. From a GLA of approximately 152,000 sq.m when it started, AREIT is slated to grow more than 70% to 549,000 square meters. The swap is expected to bring the value of AREIT's assets under management to ₱52 billion. On October 8, 2021, AREIT received the approval of the Securities and Exchange Commission ("SEC") of the Company's property-for-share swap. In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on October 7, 2021 so that the recognition of income from the new assets will accrue to AREIT beginning October 1, 2021, instead of November 1, 2021. This will enable shareholders to fully benefit from the contribution of the new assets starting in the fourth quarter of the year.

In 2021, recorded revenues of ₱3.32 billion and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of ₱2.40 billion in 2021, 63% and 55% higher year-on-year, respectively, as a result of stable operations with a 98% occupancy and 98% rental collection rate. The company's full-year net income ended at ₱2.43 billion, inclusive of a net fair value change in investment properties of ₱165 million. Excluding the net fair value change in investment properties, net income registered at ₱2.27 billion, 56% higher than the net income before the net change in fair value, and a one-time deferred tax of ₱1.45 billion in 2020. The company's full-year dividends from its 2021 income totaled ₱1.77 per share, a 34% increase from 2020 and 12% higher than its REIT plan projection during the IPO due to asset acquisitions last year.

Distribution of Products

Ayala Land's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land has its own in-house sales team for Ayala Land Premier ("ALP") projects. In addition, it has a wholly owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 15,000 brokers and sales agents guided by a strict code of ethics.

The OFW market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, leads the marketing, sales and channel development activities and marketing initiatives abroad. ALISI has established marketing offices in northern California, specifically in Milpitas in 2012, its first branch, and in San Francisco in March 2014. Marketing offices were also set up in Singapore in September 2013, Hong Kong in February 2014, and a representative office in Dubai in 2013. ALISI also assumed the operations of AyalaLand International Marketing, Inc. in Italy and London. In addition, One Ayala program, which bundles the products and services of Ayala Land, BPI and Globe Telecom, gives access to potential Ayala Land clients overseas, i.e., through BPI's seventeen (17) overseas offices and eighty-one (81) tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Amaia (economic housing), Avida (affordable housing), Alveo (middle-income housing) and BellaVita (socialized housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

Business

Effective second half of 2008, residential sales support transactions of ALP, Alveo, and Avida is being undertaken by the shared services company Amicassa Process Solutions, Inc. put up by the Company. In 2010, Aprisa Business Solutions, Inc. completed its full roll-out to handle transactional accounting processes across Ayala Land.

Competition

Ayala Land believes it is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its mall business, Ayala Land's main competitor is SM Prime Holdings, Inc., which owns and operates several shopping centers around the Philippines. Nevertheless, Ayala Land believes that is able to effectively compete for tenants primarily given that most of its shopping centers are located inside its mixed-used estates, populated by residents and office workers. The design of Ayala Land's shopping centers also features green open spaces and parks.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld Corporation ("Megaworld"), the SM Group of companies and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner, and quality of support services provided by its property manager, rental and other charges.

With respect to residential lot and condominium sales, Ayala Land competes with developers such as Megaworld, DMCI Homes, Robinsons Land, and SM Development Corporation. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income housing business, Ayala Land sees the likes of SM Development Corporation, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

For the affordable housing segment, Amaia competes with Vista Land, DMCI Homes, Filinvest, Robinsons Land and SM Development Corporation.

BellaVita, a player in the socialized housing market, expects to continue to aggressively expand its geographical footprint with product launches primarily located in provincial areas.

Suppliers

Ayala Land has a broad base of suppliers, both local and foreign. Ayala Land is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. Ayala Land does not have a customer accounting for more than 20% of its revenues.

Research and Development

While Ayala Land engages in research and development activities, the expenses incurred in connection with these activities are not material.

Business

Employees

Ayala Land had a total workforce of 295 regular employees as of December 31, 2021.

Intellectual Property

Ayala Land has been licensed by the Company, as the owner of the brand and business name “Ayala”, to use the name “Ayala” in all of Ayala Land’s current projects which carries the “Ayala” brand. Ayala Land is required to obtain the consent and approval of the Company for future projects which will carry the brand.

Ayala Land (by itself or through its subsidiaries) has secured registrations for its major brands Ayala Land Premier, Alveo, Avida and Ayala Malls. As a matter of policy, Ayala Land and its subsidiaries also apply for, obtain and maintain trademark registrations for its various developments, projects and events.

In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

Licenses

Phenix Building System. A 50%-50% joint venture between Maison Individuelles, S.A. of France and Avida was organized in June 1998 and subsequently registered with the SEC as Laguna Phenix Structures Corporation (“LPSC”) in July 1999.

LPSC is primarily engaged in the business of manufacturing, installation, erection and construction, marketing and promotion, and wholesaling of buildings, houses and other structures and accessories using the “Phenix” technology (for which a patent has been registered and issued in the Philippines under RP Patent No. 29862). Both Maison Individuelles, S.A. and Avida assigned their respective license rights to LPSC since the latter’s incorporation.

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. The same applies to the declaration of dividends by the Company’s subsidiaries and affiliates.

Special cash dividends are declared depending on the availability of cash, taking into account the Company’s capital expenditures and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company’s Board but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company’s Board of Directors and the Company’s stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE. Dividends declared by Ayala Land on its shares Dividends paid by Ayala Land for the year ended December 31, 2021 amounted to ₱4,063.2 million, representing a dividend payout ratio (being dividends paid divided by net income attributable to Ayala Land’s equity holders) of 46%. On February 24, 2022, Ayala Land declared a dividend of ₱0.1352 per common share payable on March 25, 2022 to shareholders of record as of March 11, 2022.

Regulations

The following is a summary of the recent laws and regulations in the Philippines applicable to the Group, since the date of the Prospectus. For further discussion on laws and regulations applicable to the Group’s real estate business, please see Regulations on pages 122-126 of the Prospectus.

Business

Development and Sale of Real Property

Presidential Decree No. 957, otherwise known as the Subdivision and Condominium Buyers' Protective Decree, as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for primarily residential purposes. The Department of Human Settlements and Urban Development ("DHSUD"), which reconstituted the Housing and Land Use Regulatory Board ("HLURB") and the Housing and Urban Development Coordinating Council ("HUDCC") under R.A. 11201, which was signed on February 14, 2019, is the administrative agency of the Government which enforces this decree and has jurisdiction to regulate the real estate trade and business. The HLURB's adjudication mandate, on the other hand, was transferred to the Human Settlements Adjudication Commission ("HSAC").

In this regard, all subdivision plans and condominium project plans of Ayala Land are required to be filed with and approved by the DHSUD and the relevant local government unit of the area where the project is situated. Approval of such plans is conditional on, among other things, Ayala Land's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant local government unit. Ayala Land, as owner of and dealer in real estate projects, is required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the DHSUD. As a requisite for the issuance of a license to sell by the DHSUD, developers are required to file with the DHSUD security (in the form of a surety bond, mortgage, or any other form of security) to guarantee the completion of the development and compliance with the applicable laws, rules and regulations.

Dealers, brokers and salesmen of real estate projects of Ayala Land are also required to register with the Philippine Regulatory Commission. Project permits and licenses to sell may be suspended, cancelled or revoked by the DHSUD by itself or upon complaint from an interested party. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the DHSUD's rules of procedure and other applicable laws. Ayala Land has been able to maintain these permits and licenses.

Construction

The construction industry in the Philippines is subject to regulation by the Government as described in page 123 of the Prospectus.

Property Laws

Please refer to pages 123-125 of the Prospectus for a discussion of the property laws affecting land registration, zoning, subdivisions and condominiums, special economic zones, property taxation, and instalment sales.

Shopping Malls

Please refer to page 125 of the Prospectus.

The continuing impact of the COVID-19 pandemic is highly unpredictable and uncertain, and it has and will continue to cause disruptions in the Philippine and global economy and financial markets, as well as the Company's financial performance, among others. While the Company has implemented and complied with government health and safety protocols to mitigate the adverse effects of the pandemic, the duration and extent of these effects are beyond the control of the Company. As of the date of this Offer Supplement, quarantine restrictions are still in place in the country.

In response to the increasing number of COVID-19 cases in the Philippines, President Rodrigo R. Duterte ("President Duterte") declared the entire island of Luzon under total lockdown (Enhanced

Business

Community Quarantine or “ECQ”) on March 16, 2020, which restricted the movement of the population with certain exceptions. Among the lockdown measures implemented were the suspension of work or alternative working arrangements in the private sector except in establishments providing basic necessities, suspension of mass transport facilities, and travel restrictions.

In September 2021, the Interagency Task Force for the Management of Emerging Infectious Diseases (“IATF”) mandated new community quarantine classifications for dealing with COVID-19 covering entire cities and/or municipalities, by issuing the Guidelines on the Pilot Implementation of Alert Levels System for COVID-19 Response in the National Capital Region (“NCR”). In the new classification framework, which focuses on the imposition of granular lockdown measures, community quarantine was reduced to either Enhanced Community Quarantine (“ECQ”) or General Community Quarantine (“GCQ”), with the latter having an Alert Level System through Levels 1 to 4, with each alert level limiting restrictions only to identified high-risk activities.

As of the date of this Offer Supplement, the National Capital Region enjoys an Alert Level 1 classification.

Environmental Laws

Please refer “Regulatory Framework – Environmental Laws” on page 378 of the Prospectus.

FINANCIAL SERVICES

Overview and History

The Company conducts its financial services business through BPI. BPI is a Philippine-based universal bank with an expanded banking license. Founded in 1851, BPI is the country’s oldest bank. In the post-World War II era, BPI evolved, largely through a series of mergers and acquisitions during the 1980s and 1990s, from a purely commercial bank to a fully diversified universal bank with activities encompassing traditional commercial banking as well as investment and consumer banking.

Together with its subsidiaries, BPI offers a wide range of financial services that include corporate banking, consumer banking, consumer lending, investment banking, asset management, securities distribution, insurance services and leasing. Such services are offered to a wide range of customers, including multinationals, government entities, large corporations, SMEs and individuals.

According to data available from BSP, BPI is the third largest universal bank in the country in terms of total assets. BPI also holds significant market share in the deposit, lending and asset management markets. BPI Family Savings Bank, BPI’s primary subsidiary in retail lending, is the Philippines largest savings bank in terms of total assets. BPI also enjoys a significant presence in the finance and operating lease business, government securities dealership, securities distribution and foreign exchange business. BPI’s overseas network includes three banking locations in Hong Kong and the United Kingdom. In addition, BPI owns three foreign remittance centers and maintains correspondent relationships with several banks and financial institutions worldwide. BPI has 19,181 employees as of December 31, 2021.

The following tables set out selected financial information and key performance indicators of BPI as of and for the periods indicated:

Selected Financial Information

For the year ended December 31, 2021 (Amounts in ₱ Millions)

STATEMENT OF INCOME

Interest Income	₱ 84,617
Interest Expense	15,034
Net Interest Income	69,583
Provision for Credit and Impairment Losses	13,135

Business

Net Interest Income after Provision for Credit and Impairment Losses	56,448
Other Income	27,822
Other Expenses	50,733
Profit before Income Tax	33,537
Income Tax Expenses	9,427
Net (Loss) Income from discontinued operations	-
Total Net Income (inclusive of noncontrolling interests)	24,110
Net Income attributable to equity holders of BPI	23,880

Please refer to pages 126-127 of the Prospectus for information for the years ended December 31, 2019 and December 31, 2020.

Selected Key Performance Indicators

For the year ended December 31, 2021

Return on Average Equity	8.40%
Return on Average Assets	1.08%
Net Interest Margin	3.30%
Total Capital Adequacy Ratio	16.67%
Non-Performing Loan (NPL) Ratio ¹	2.49%
Non-Performing Loan (NPL) Cover	136.1%

¹ Total gross non-performing loans (90-day NPLs) divided by total receivable from customers' net of unearned interest and discount. Data as of December 31, 2020 and June 30, 2021 are based on BSP Circular No. 941

The return on average equity for BPI was 8.4% in 2021. BPI declared ₱8,124 millions of dividends to its shareholders in the year ended December 31, 2021.

As of December 31, 2021, BPI's CAR was 16.7% under Basel III guidelines.

BPI is currently listed on the PSE.

Main Business Segments of BPI

1. Corporate Banking

Corporate Banking takes care of BPI's corporate clients, providing them with expert business and financial advice and relevant solutions for their needs. Corporations with annual revenues of more than ₱500 million or with borrowing amount of ₱100 million or more, and financial institutions including non-banks and government entities are managed by the segment.

Corporate Banking is a diversified segment composed of the following groups – Relationship Management, Corporate Credit Products, and Strategy, Products & Support.

Relationship Management Groups (RMG)

RMG creates and nurtures strong, profitable relationships with Corporate Banking clients. Divided into two groups – Top Corporations, MNCs & Sectors and Large Corporates – RMG is collectively responsible for originating deposits and corporate lending. RMG is also in charge of the distribution of solutions offered by BPI's transaction services, remittance, investment, credit cards, personal or salary loans, and other product groups.

Corporate Credit Products Group (CCPG)

CCPG's primary role is to take care of Corporate Banking's asset quality by performing sound and timely credit evaluation. With this, it supports the continued growth and profitability of the

segment's loan portfolio. The group also carries three specialized lending products: Structured Finance, Agribusiness, and Sustainable Development Finance.

Strategy, Products & Support Group (SPS)

Under SPS are two product divisions, namely, Remittance & Fund Transfers (RFT) and Transaction Services Division ("TSD"). While housed under Corporate Banking, the product divisions' offers are also enjoyed by clients of the Business Banking and Retail segments.

RFT develops, manages, and markets the following products and services to target clients: Inward Remittance, Outward Remittance, and Domestic Remittance, including InstaPay and PESONet. International remittances are made possible by strong tie-ups with global remittance players and correspondent banks, while local remittances are delivered through the Bank's branch network and digital channels, and through local pay-out partners.

TSD plays an integral part in attaining BPI's goal to be the main operating bank of corporate clients. It offers both traditional and digital cash management services, the latter through its BizLink platform, which enables corporate clients to conveniently perform collections and disbursement transactions and manage their liquidity, and its new channel BizKo, which is designed for the simpler cash management needs of SMEs. The division also manages Trade and Supply Chain products such as letters of credit, documents against payment or acceptance, trust receipt financing, shipping and bank guarantees, export bills purchase, outward bills for collection, telegraphic transfers and receivables financing.

2. Business Banking

Business Banking is focused on the needs of the small and medium sized enterprises segment. The group provides comprehensive coverage to SMEs through dedicated relationship managers and sales officers. The Bank has implemented a tailored set of credit processes and credit-scoring models in order to offer SME clients quick and efficient access to capital. Products and services offered to SME clients include cash management facilities and a state-of-the-art electronic banking platform branded "BizLink" and the newly launched "BizKo" with a range of pricing options.

To address the financing needs of the SME segment, the Bank provides term loans and credit lines. Small business loans range on average from a principal amount of ₱300,000 to ₱100 million and may or may not be collateralized by real estate mortgages, depositors or investments.

BPI Business Banking's vision is to become the partner of choice of SMEs in the Philippines, addressing their day-to-day as well as long-term needs through fast, simple, and convenient solutions. The Bank has released tailor-fit products for SME clients, providing tools to better manage their cash flows, raise capital, and offer financial advisory to increase their economic potential. These include: Zero Collateral Loan for Preferred Depositors, Supplier's Circle, Merchant Loan, Business Technology (BizTech) Loan, Private Lite Loan, Investor Loan, and Business Franchise Financing.

The group continues to automate and digitalize in order to build connectivity and efficiency via digital platforms that can be easily accessed by entrepreneurs, without having to leave their place of business or homes. Through Bizlink and BizKo, SMEs can conveniently operate their businesses and maintain control over their cash flows anytime, anywhere. These system enhancements are expected to allow the Bank to tap and leverage an ever-growing ecosystem of partners, and provide opportunities for co-creating new products, capitalizing on external expertise and collective innovation, as well as pursuing new markets, sales channels, and customer touch points.

BizTalk Online, Business Banking's online webinar series, is aimed at helping equip clients with the knowledge and expertise to aid them navigate through the challenges of the ever-changing business environment by providing business insights, financial advisory, and trusted advice.

3. Consumer Banking

Consumer Segments Business manages the Bank's relationships with its retail or individual clients inclusive of (i) preferred banking or the mass affluent, (ii) personal banking clients or the mass regular customers and (iii) overseas Filipinos. This system of classification allows the Bank to help its customers achieve their financial goals through specific financial advice, access to appropriate products and solutions, and other services.

As of December 2021, retail clients (including Private Banking) account for 63.8% of the Bank's

total outstanding deposits.

Branch Stores Channel

Branch Stores Channel manages the Bank's physical branch network including, but not limited to, its manpower, locations, and types of services provided to clients. Its main objective is to deliver fast and reliable client-facing services that should result to "happy" and "satisfied" customers. With the Bank's increasing digital adoption, the need to expand, or even retain some of the existing, branch footprint becomes less and less. As of December 2021, fifty-six (56) branches have been co-located with respective absorbing branches. Licenses of the co-located branches were retained, such that the Bank ended the year with 869 branches, with a total of 814 physical branches nationwide.

Core Retail Products

Thru its Core Retail Products Segment, BPI offers a wide range of consumer lending products, including home mortgages and automobile loans as well as deposit products.

Home Mortgage Loans

The Bank offers loans to property buyers in the Philippines who intend to use the premises as their primary residence. The Bank's home mortgage loans have funded horizontal developments by reputable developers. The Bank also lends primarily to the middle to high-end market segment. Home mortgage loans are secured by a first mortgage on the property being purchased. In addition, the Bank generally requires residential mortgage borrowers to have an equity interest of at least 20% of the value of the property. Home mortgage loans are typically payable in monthly amortizing payments, based on market-competitive interest rates with fixing terms of one to five years. The Bank may lend up to 80% of the developer selling price or the Bank's appraised value of houses and lots. The Bank requires home mortgage borrowers to obtain both fire insurance and mortgage redemption insurance.

Auto Loans

The Bank offers loans primarily for the acquisition of new cars and only for accredited brands for which a consistent track record of after-sales service has been established. The Bank focuses its lending efforts on brands that have good resale values and brands with a propensity for lower levels of default. The Bank also works with local selling agents to supply financing solutions and easier access to auto loans to their customers.

Deposit Products

The Bank's deposit products include current accounts (non-interest-bearing demand deposits) and savings and passbook accounts, collectively referred to as CASA and which represent the Bank's low-cost funding. The Bank also offers time deposits with the longest tenor at five years. The Bank's CASA and time deposit products are offered primarily in Philippine pesos and US dollars; in some cases, these products are offered in other foreign currencies, depending on client requirements.

4. Mass Retail

Mass Retail offers access to unsecured loans for individuals in the form of personal loans and credit cards. Personal loans are a multi-purpose cash loans largely based on the fixed monthly salary of an individual, payable in monthly instalments up to thirty-six (36) months. The Bank's credit cards offer a line of credit to cardholders to purchase goods and services with a promise to repay the Bank on the due date or via deferred and instalment plans.

The Bank also issues other card-based products, such as debit cards and prepaid cards to allow cardholders to enjoy cashless shopping, participate in promotions, earn points, and manage expenses. Debit cards enable depositors to withdraw funds via ATMs locally and abroad (via Cirrus terminals, a worldwide ATM network), pay via point-of-sale terminals, and do online purchases at e-commerce websites and apps. Prepaid cards, targeted at younger users, allow cardholders to do cashless transactions online and in-store even without a deposit account. In 2021, BPI launched the Virtual BPI ePay Mastercard as a companion card to BPI #SaveUp accounts and is offered as part of the fully digital account opening process.

Through BPI Direct Banko, Inc., BPI endeavors to improve the economic well-being of thousands of Filipino self-employed micro-entrepreneurs (SEMEs) nationwide by creating an enabling business environment for them. It provides access to easy and affordable loan products, and services its microfinance customers through branch, electronic, and partnership channels. Banko

also offers PondoKo Savings, an app-based, interest-bearing basic deposit account with no maintaining balance, that enables clients to build up their funds and conveniently conduct banking transactions via Banko Mobile.

5. Wealth Management

Wealth Management's Private Banking caters to the Bank's high net-worth clients. Foremost in its strategies in addressing the specific needs and objectives of their clients are: (i) focusing on offshore opportunities, (ii) maximizing leveraging tools such as Bridge Financing, Premium Financing and Yield Enhancement (YELP), and (iii) boosting expertise in bond trading. Private Banking positions itself to compete with offshore banks and offshore assets.

6. Global Markets

In order to optimize the Bank's financial resources, BPI Global Markets undertakes a wide range of responsibilities, such as multi-currency funding and investments, trading and distribution of foreign exchange and multi-currency fixed income investments, and provides hedging solutions through derivative products. It generates revenues mainly from interest rate differential and non-interest income from trading and sales activities.

Global Markets ensures sufficient funding in various currencies to support the bank's daily operating requirements and expected balance sheet growth. Further, it deploys excess funds to optimize returns through strategic deployment in domestic and cross-border securities. The Bank also consistently complies with the reserve requirement mandated by the Bangko Sentral ng Pilipinas (BSP), while at the same time minimizing excess reserves to reduce costs.

The synergy between the Bank's trading and sales distribution businesses enables Global Markets to continuously improve its non-interest income by leveraging on BPI's strong market presence as one of the top trading participants in the Philippine financial markets for currencies, rates, credits, and derivatives. Complementing this synergy between trading and sales distribution, the robust research capabilities of the Global Markets Economic and Financial Markets Research team are maximized to provide holistic service through competitive pricing, tailor-fit treasury solutions, economic updates, and financial advisory across different client segments.

7. Enterprise Services

Enterprise Services is responsible for managing the human, facilities, digital, information systems, and operational resources of the Bank. The key objectives of Enterprise Services are the development of talent acquisition, talent development, performance measurement, and compensation systems that perpetuate the Bank's desired culture of cohesion and performance. Enterprise Services is also responsible for optimizing the Bank's use of space, supply chain, and operational processes, to ensure maximum efficiency, operational governance and control, as well as low cost. It is also responsible for the operational support that enables the Bank to deliver its products and services efficiently to its valued clients. The Bank believes that a key enabler of its client and product capabilities is data management and technology, and as such, Enterprise Services is at the forefront of ensuring BPI's transformation and leadership as a digital bank.

Functional departments that are incorporated into Enterprise Services include Human Resources, Facilities Services, Information Systems, Centralized Operations, Digital Channels, and Business Transformation and Data.

8. Strategy and Finance

The Strategy and Finance Segment is managed by BPI's Chief Finance Officer and is responsible for strategic planning and sustainability, central accounting, financial control, balance sheet management and analytics, corporate legal affairs, strategic management and sales of bank assets, and investor relations. This segment works in very close unison with Enterprise Services to ensure appropriate resourcing for – and financial control over – the Bank's frontline and operational units. It is responsible for management or financial oversight of strategic enterprise-wide projects, such as capital market issues, mergers, acquisitions, joint ventures, and major cost-control initiatives. It is also responsible for capital expenditure and capital management.

Because of its central role in managing the finances of the Bank, Strategy and Finance also assumes financial reporting responsibilities to the Board of Directors, shareholders, and regulatory agencies.

BPI Group's Other Business Segments under Subsidiaries

Investment Banking

The Bank's investment banking activities are undertaken by BPI Capital Corporation, a wholly-owned subsidiary of the Bank. The Bank's investment banking team is responsible for generating fee-based financial advisory and capital markets transactions. BPI Capital generates financial advisory fees from mergers and acquisitions, restructurings, and balance sheet advisory assignments and generates capital markets fees from debt and equity underwriting, loan syndication, project finance and energy financing. Investment banking activities also encompass distribution and market-making of securities to institutional and retail customers. BPI Capital also offers stock brokering services through its wholly-owned subsidiary, BPI Securities Corporation.

BPI Capital's underwriting and distribution activities cover both equity and debt products. It has been involved in major fundraising exercises for the Government (through Philippine Retail Bond Issue) and on behalf of major corporations in the Philippines. In 2021, BPI Capital has led three (3) initial public offerings, including the listing of two (2) REITs, Robinson's Land Commercial REIT and Filinvest REIT. BPI Capital also acted as Financial Adviser and Lead Arranger in the Cebu Pacific's Capital Raising and Liabilities Re-profiling.

By leveraging on the robust network, client base, and existing platforms of BPI, BPI Capital harnesses the placement power of the Bank's institutional, corporate, high net worth and retail customers and create value for its clients by tailoring and executing financial solutions to meet their increasingly complex needs.

Microfinance (Self-employed microentrepreneurs or SEMEs)

BPI Direct Banko, Inc. is the microfinance arm of the Bank. It endeavors to improve the economic well-being of Filipino self-employed microentrepreneurs (SEMEs) nationwide by creating an enabling business environment for them. Banko aims to make formal financial services more accessible and affordable to the unbanked and underserved segment of the population, providing them the opportunity to grow and expand their business. It has since increased its presence in more communities, releasing ₱27 billion in loans and servicing almost 211,000 unique borrowers in over 300 branches and branch-lite units located in seventy-one (71) provinces.

Bancassurance

The Bank offers new and innovative insurance products through BPI AIA Life Assurance Corporation and BPI/MS to meet the varied life and non-life insurance needs of the Bank's customers.

BPI AIA Life Assurance Corporation is the Bank's life insurance joint venture with AIA Philippines, a part of the AIA Group. It offers life and investment linked insurance products sold through the Bank's branches by bancassurance sales executives. Bancassurance is an arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank's client Base.

BPI/MS is the Bank's non-life insurance joint venture with Mitsui Sumitomo Insurance Group (Mitsui). The Bank holds a 50.9% stake in the joint venture company. A majority of BPI/MS originated insurance contracts are re-insured under a treaty with Mitsui. BPI/MS provides insurance coverage on mortgages, travel, fire, and marine.

Asset Management & Trust

The Bank operates its asset management and trust business through BPI Asset Management and Trust Corporation, a wholly owned subsidiary of the Bank.

The Bank's asset management and trust business is one of the largest in the Philippine investment management community, with total assets under management of ₱882 billion as of December 31, 2021. The Bank has a long track record of managing assets for institutional and individual investors through innovative investment products and solutions. It also distributes the products of BPI-accredited global investment funds to its clients. With both equity and fixed income-oriented fund products, a comprehensive array of institutional fund management solutions and the ability to deal in different currencies, including Pesos, US dollar or Euro, the Bank's product offering is considered among the most complete in the Philippine banking industry.

Business

Suppliers

BPI has a broad base of suppliers, both local and foreign. BPI is not dependent on one or a limited number of suppliers.

Customers

BPI has a broad market base including local and foreign individual and institutional clients.

Competition

With forty-six (46) universal and commercial banks operating in the Philippines as of December 31, 2021, the banking industry in the Philippines is characterized by high levels of regulation and highly competitive pricing and service offerings. BPI competes against domestic and foreign banks that offer similar products and services as BPI. Since the further liberalization of the Philippine banking industry in 2014, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to benefit from the support of their parent companies or established regional operations but they are limited by local regulations to a maximum of six Philippine branches in order to protect the growth and participation of local banks.

According to industry data on Philippine banks, BPI is second largest in terms of loans and deposits among private universal banks, with market shares of 14% and 12%, respectively, as of December 31, 2021, and second largest in terms of trust asset management with market share of 17% as of December 31, 2021. BPI believes its principal competitors are BDO Unibank, Inc. and Metropolitan Bank & Trust Company.

Properties

As of December 31, 2021, BPI had 1,176 branch licenses (which include full-service branches, express banking centres (“EBCs”), and branch-lite units (“BLUs”). As part of BPI’s branch optimization strategy, BPI has physically co-located fifty-six (56) branches.

Intellectual Property

BPI has registered a number of trademarks and trade names, including the logo of BPI and the trademark “Bank of the Philippine Islands”. BPI has not been subject to any disputes relating to its intellectual property rights.

Dividend declaration

In the past, BPI has consistently paid at least ₱1.80 per share in annual dividends; however, BPI evaluates its dividend payments from time to time in accordance with business and regulatory requirements, and cannot make explicit warranties about the quantum of future dividend payments.

The revised risk-based capital adequacy framework places a restriction on earnings distribution in case the regulatory minimum on CET1 ratio is breached. There are, however, no known impediments to BPI’s ability to pay dividends on common equity, whether current or future.

Dividends declared by BPI for the year ended December 31, 2021 amounted to ₱8,124.0 million representing a dividend payout ratio (being dividends paid divided by net income attributable to BPI’s equity holders) of 37.9%.

Regulations

The following is a summary of the recent laws and regulations in the Philippines applicable to the financial services business of the Group since the date of the Prospectus. For further discussion on laws and regulations applicable to the Group’s financial services business, please see Regulations on pages 132-147 of the Prospectus.

TELECOMMUNICATIONS

Overview

The Company conducts its telecommunications business through Globe. Globe's origin can be traced back to the Robert Dollar Company, a corporation organized and existing under the laws of the State of California which provided wireless long distance message services. After subsequent mergers and renamings, the company in 1992 was again renamed Globe Telecom, Inc. In 1993, Ayala and Singapore Telecom formalized their partnership as the principal shareholders of Globe. Since then, Globe has been recognized as the first company to offer short message service ("SMS") in the Philippines and as the first Philippine internet service provider in the Philippines.

Globe Telecom, Inc. is a leading digital platform in the Philippines, with major interests in financial technology, digital marketing solutions, venture capital funding for startups, entertainment, and virtual healthcare. The company serves the telecommunications and technology needs of consumers and businesses across an entire suite of products and services including mobile, fixed, broadband, data connectivity, internet and managed services. Globe currently has 86.8 million mobile subscribers (including fully mobile broadband), 3.7 million Home Broadband customers, and close to 1.3 million landline subscribers. The company is supported by over 8,200 employees and nearly 1.0 million AutoloadMax ("AMAX") retailers, distributors, and business partners nationwide.

The following tables set out selected financial information and key performance indicators of Globe as of and for the periods indicated:

Selected Financial Information**For the year ended December 31, 2021**

	in Million ₱
Net Operating Revenues	₱ 167,748
Service Revenues	151,514
Mobile	104,392
Fixed Line, Corporate Data and Home Broadband	45,842
Others	1,280
Non-Service Revenue	16,234
Costs and Expenses	144,548
Cost of Inventories Sold	18,073
General, Selling and Administrative Expenses	69,852
Interconnect Costs	1,182
Depreciation and amortization	41,133
EBIT¹	33,789
EBIT Margin²	22%
EBITDA³	74,922
EBITDA Margin⁴	49%
Non-Operating Charges⁵	4,749
Net Income After Tax (NIAT)	23,724
Core Net Income after Tax⁶	21,246

Please refer to page 173 of the Prospectus for revenues for the years ended December 31, 2019 and December 31, 2020.

-
- 1 EBIT is adjusted EBITDA less depreciation and amortization
 - 2 Calculated as EBIT divided by total service revenues
 - 3 Calculated as service revenues less subsidy, operating expenses and other income and expenses (note: operating expenses do not include any property and equipment-related gains and losses, equity share in net earnings(losses) of associates and joint ventures and financing costs)
 - 4 Calculated as EBITDA divided by total service revenues
 - 5 Calculated as financing income - net plus other nonoperating income (charges)
 - 6 Core net income is calculated as net income less deferred tax on stock options and excluding foreign exchange gain/losses, mark-to-market gains/losses, accelerated depreciation charges (net of tax effect), gains on previously held

Business

equity interest gain on fair value of retained interest, gain on disposal of controlling interest in subsidiaries and other non-recurring items.

Selected Key Performance Indicators

For the year ended December 31, 2021

Return on Equity.....	24.1%

1 Trailing 12-month net income divided by average equity

For the year ended December 31, 2021

Average Revenue Per Subscriber (ARPU) ² (₱)	
Globe Postpaid	821
Average Monthly Churn Rate (%)	
Globe Postpaid	1.6%
Cash Capital Expenditures ³ / Services Revenues (%)	61%

2 ARPU is computed by dividing recurring gross service revenues (gross of interconnect expenses) segment by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period

3 Cash capital expenditures-property & equipment and intangibles

As of December 31, 2021, approximately 68.9% of Globe's service revenue was derived from its mobile segment and 31.1% from its fixed line, corporate data, home broadband segments and others. For 2022, Globe has earmarked ₱89 billion for capital expenditures, to continue its aggressive network expansion that includes new cell site builds, upgrade more existing sites to 4G/LTE, accelerate rollout of 5G connectivity, fast-track the fiberization of Filipino homes nationwide, and further boost the internet quality and coverage in the Philippines. Globe has a policy of distributing 60%-75% of its prior year's core net income in dividends. Globe distributed ₱14.4 billion of dividends to its common shareholders in 2021. Return on equity for the year 2021 was at 24.1%.

Globe is currently listed on the PSE.

Business of Globe

Globe provides digital Mobile communication and internet-on-the-go services nationwide using a fully digital network based on the Global System for Mobile Communication (GSM), 3G, HSPA+, 4G, LTE and 5G technologies. It provides voice, SMS, data and value-added services to its Mobile subscribers through three major brands: *Globe Postpaid*, *Globe Prepaid* and *TM* (including fully Mobile, internet-on-the-go service).

Postpaid

Globe Postpaid is the leading brand in the postpaid market, with various plan offerings. Over the years, these plans have evolved in order to cater to the changing needs, lifestyles and demands of its customers.

In order to keep up with the growing and changing demands of its customers, Globe highlights its portfolio of postpaid plans featuring the all-new "*GPlan*". Mobile and life essentials are combined in any *GPlan* type - *GPlan with Device*, *GPlan SIM-Only*, and *GPlan with GCash*. Aside from generous data allocations, customers receive unlimited all-net calls & texts, free GoWiFi when in transit, unlimited teleconsultation via KonsultaMD & three (3)-month insurance coverage via GInsure from Singlife. *GPlan with GCash* offers maximum flexibility for customers by giving them GCash (one-time credit only), which they can spend for gadgets, content subscriptions, shopping vouchers, or even home appliances like robot vacuums. *GPLAN with Device* offers discounted or Free mobile phone with the chosen Globe Postpaid plan (from *GPlan 599* to *GPlan 2499*). Both *GPlan with GCash* and *GPlan with Device* are subject to a 24-month contract period. Meanwhile, *SIM-Only* plans are likewise available for a 6-month contract period with *GPlan SIM-Only* which offers higher data allocation from 4GB to 50GB and *GPLAN*

Business

SIM-Only All-Data packed with big data allocation which ranges from 10GB to 80GB. See also <https://shop.globe.com.ph/postpaid-plans/GPlan> for more details.

Prepaid

Globe Prepaid and TM are the prepaid brands of Globe. Globe Prepaid is focused on the mainstream market while TM caters to the value-conscious segment of the market. Each brand is positioned at different market segments to address the needs of the subscribers by offering affordable innovative products and services.

Globe Prepaid's *GoSAKTO* is a self-service menu that provides its subscribers easy access to avail of the latest promotions and services of Globe. This menu also allows the subscribers to customize their own promotions (such as call, text and surf promotions) that are best suited for their needs and lifestyle. Globe Prepaid customers can also personalize their call, text and surfing needs for various durations, and also select the type and number of call minutes and texts they need and adjust data allocation (in MBs) of mobile surfing.

Globe Prepaid and TM subscribers can reload airtime value or credits using various reloading channels including prepaid call and text cards, *GCASH*, bank channels such as ATMs, credit cards, and through internet banking. Subscribers can also top-up via AutoLoad Max retailers nationwide, all at affordable denominations and increments. A consumer-to-consumer top-up facility, *Share-A-Load*, is also available to enable subscribers to share prepaid load credits via SMS.

Loyalty & Rewards Program

The Globe Rewards Program - "MyRewards MyGlobe" is the Company's way of granting special treats to its active customers for their continued loyal use of Globe's products and services. Awesome rewards await its loyal customers in exchange for the points earned -- more rewards points mean more wonderful perks. All customers with active Globe/TM SIMs are automatically members of the program. No registration required. Subscribers can:

- Earn Points from Prepaid reloads or monthly Postpaid usage
- Redeem Rewards in the form of Mobile promos, bill rebates, gadgets and gift certificates, and more or use the earned points as cash at partner stores. Subscribers have the option to redeem rewards instantly, or accumulate points to avail of higher value rewards. Redeemed points in the form of telecom services are netted out against revenues whereas points redeemed in the form of non-telco services such as gift certificates and other products are reflected as marketing expenses. At the end of each period, Globe estimates and records the amount of probable future liability for unredeemed points.
- Enjoy Perks through special discounts, exclusive treats, and more wonderful surprises

Globe Rewards is also a service that supports customers and extends their buying power even beyond telco services such as food, medicine, and retail products. Customers can use their earned Rewards points to buy the products they need.

In 2021, Globe unveiled its first-in-market innovation, GBs (gigabytes) to Points, during the first Globe Innovation Fest. This feature is available to Globe mobile and broadband customers, allowing unused gigabytes of customers' data to be converted into Globe Rewards points. Prepaid customers can get 1 point for every GB converted; Postpaid customers will be able to convert 1GB to 10 Globe Rewards points. Likewise, Globe At Home Prepaid WiFi customers can convert 3GBs to 3 Rewards points. The Globe Rewards points can be used at over 13,000 stores for shopping, dining, entertainment, travel, and Globe products nationwide. Customers can also use Globe Rewards points to shop in Lazada, order meals from GrabFood, watch Korean movies using Viu, or even play games through Razer Gold pins.

Mobile Voice

Globe's voice services include local, national and international long-distance call services. It has one of the most extensive local calling options designed for multiple calling profiles. In addition to its standard,

Business

pay-per-use rates, subscribers can choose from bulk and unlimited voice offerings for all-day, and in several denominations to suit different budgets.

Globe keeps Filipinos connected wherever they may be in the world, through its tie-up with 781 roaming partners in 237 calling destinations worldwide. Globe also offers roaming coverage on-board selected shipping lines and airlines, via satellite. Globe also provides an extensive range of international call and text services to allow OFWs to stay connected with their friends and families in the Philippines. This includes prepaid reloadable call cards and electronic PINs available in popular OFW destinations worldwide.

Mobile SMS

Globe's mobile SMS service includes local and international SMS offerings. Globe also offers various bucket and unlimited SMS packages to cater to the different needs and lifestyles of its postpaid and prepaid subscribers.

Mobile Data

Globe's mobile data services allow subscribers to access the internet using their internet-capable handsets, devices or laptops with USB modems. Data access can be made using various technologies including 5G, LTE, HSPA+, 4G, 3G with HSDPA, EDGE and GPRS or Wi-Fi. Globe spearheaded the shift from unlimited time-based data plans to volume-based consumable plans, geared towards improving the mobile data experience of its subscribers and ensuring the most appropriate pricing of data. Globe and TM subscribers can choose from a variety of *GoSurf* consumable data plans.

Globe's Value-Added Services, or VAS, offers a full range of downloadable content covering multiple topics including news, information, and entertainment through its web portal. Subscribers can purchase or download music, movie pictures and wallpapers, games, mobile advertising, applications or watch clips of popular TV shows and documentaries as well as participate in interactive TV, do mobile chat, and play games, among others. Additionally, Globe subscribers can send and receive Multimedia Messaging Service ("MMS") pictures and video, or do local and international 3G video calling.

Fixed Line and Home Broadband Business

Globe offers a full range of fixed line communications services, wired and wireless broadband access, and end-to-end connectivity solutions customized for consumers, SMEs, large corporations and businesses.

Fixed Line Voice

Globe's fixed line voice services include local, national and international long-distance calling services in postpaid and prepaid packages through its Globelines brand. Subscribers get to enjoy toll-free rates for national long-distance calls with other Globelines subscribers nationwide. Additionally, postpaid fixed line voice consumers enjoy free unlimited dial-up internet from their Globelines subscriptions. Low-MSF (monthly service fee) fixed line voice services bundled with internet plans are available nationwide and can be customized with VAS including multi-calling, call waiting and forwarding, special numbers and voice mail. For corporate and enterprise customers, Globe offers voice solutions that include regular and premium conferencing, enhanced voice mail, IP-PBX solutions and domestic or international toll-free services. With Globe's cutting-edge Next Generation Network, Globe Business Voice solutions offer enterprises a bevy of fully-managed traditional and IP-based voice packages that can be customized to their needs.

Corporate Data

Corporate data services include end-to-end data solutions customized according to the needs of businesses. Globe's product offerings include international and domestic leased line services, wholesale and corporate internet access, data center services and other connectivity solutions tailored to the needs of specific industries.

Business

Globe's international data services provide corporate and enterprise customers with the most diverse international connectivity solutions. Globe's extensive data network allows customers to manage their own virtual private networks, subscribe to wholesale internet access via managed international private leased lines, run various applications, and access other networks with integrated voice services over high-speed, redundant and reliable connections. In addition to bandwidth access from multiple international submarine cable operators, Globe also has two international cable landing stations situated in different locales to ensure redundancy and network resiliency.

Globe's domestic data services include data center solutions such as business continuity and data recovery services, 24x7 monitoring and management, dedicated server hosting, maintenance for application-hosting, managed space and carrier-class facilities for co-location requirements and dedicated hardware from leading partner vendors for off-site deployment. Other corporate data services include premium-grade access solutions combining voice, Broadband and video offerings designed to address specific connectivity requirements. These include Broadband Internet Zones ("BIZ") for Broadband-to-room internet access for hotels, and Internet Exchange ("GiX") services for bandwidth-on-demand access packages based on average usage.

Globe Business knows that success is made up of different elements: effective products, streamlined processes, and reliable manpower, and that is why Globe's business solutions are a fusion of all three. Among its products and solutions are as follows:

Mobility - mobility solutions that increase productivity within and beyond the workplace. The Group's enterprise mobility solutions include: (1) Postpaid – leveraging on flexible postpaid plans that suit companies of every scale; (2) Enterprise Mobile Management – allows customers to gain more control over enterprise mobile devices while simultaneously maximizing workforce productivity; and (3) IsatPhone Pro – a satellite phone that lets users call, text, and avail of other services from remote places around the globe.

Voice - The Group's wide range of cost-efficient voice solutions simplifies communications infrastructure and tailors services to fit business needs. Globe's voice products for business include Globelines; ISDN-PRI; Toll-Free Services; Enhanced Managed Voice Solution ("EMVS"); Managed IP-PBX; SIP Trunk; Hosted PBX System & Services; and Collaboration Solutions.

Connectivity - Globe Business offers a fast and resilient connection powered by dedicated and reliable technologies (comprising Domestic Data; International Data; Internet Services; Managed Services).

Cloud - Improve efficiency and agility in the face of evolving business environments while keeping costs low with Globe's range of cloud services: Infrastructure-as-a-Service (IaaS); Backup-as-a-Service (BaaS); Disaster-Recovery-as-a-Service ("DRaaS"); Amazon Web Services; AWS Direct Connect.

Data Center - Globe Data Center provides a superior experience that goes beyond technology. Allows customers to outsource data center hosting and management. The services offered include the following:

- Co-location - managed space for customer's servers and IT equipment that run mission critical systems and applications;
- Cross Connect - provides direct connection from customer racks to its service provider;
- LAN-Based Internet - provides a redundant, stable, secure and high-speed connection to hosted environments within the Globe Data Center;
- Media Storage - physical off-site data storage in a clean, controlled, safe and secure environment within the Data Center; and
- Disaster Recovery ("DR") Seats - Provides a DR facility and workstations for customers in the event of a disaster or a business interruption

Cybersecurity - Globe Business' Cybersecurity allows customers to handle security threats and IT infrastructure cost-effectively, and allows management of tasks and functions efficiently.

Business

The platform allows access to the best-in-class tool sets, hardware, software, and even niche technology experts.

Business Applications - a diverse range of solutions to streamline and enhance business operations, and raise efficiency, productivity, and customer satisfaction (G Suite; Go Canvas, Office 365; Learning Management Solutions, HR Solutions, M2M)

Business Continuity - Enable enterprises with the right digital solutions for uninterrupted business operations for their customers. Ensure seamless connectivity (Prepaid Mobile Wifi and Corporate Managed Broadband), Empower remote workforce (Amazon Chime, Amazon Workdocs, Office 365 and Zoom), and Safeguard business operations (Amazon WorkSpaces, Amazon Appstream 2.0).

Virtualized Solutions - Network Function Virtualization ("NFV") virtualizes entire network functions using vendor-neutral hardware and IT infrastructure, facilitating improved communications services. It promotes business agility by replacing a single physical network appliance with flexible, virtualized network functions.

Home Broadband

Globe offers wired and fixed wireless broadband services, across various technologies and connectivity speeds for its residential and business customers. Globe Home Broadband consists of wired or DSL Broadband packages bundled with voice, or broadband data-only services which are available with download speeds ranging from 1 Mbps up to 15 Mbps. Globe also expanded its Long-Term Evolution ("LTE") footprint through LTE @Home offerings, bringing latest internet technology to households and allowing subscribers to surf the internet at ultrafast speeds to watch high-definition videos, downloading and uploading large files, seamless music streaming, and voice-over-internet-protocol ("VOIP") calling with clear quality. This LTE service is backed by the largest 4G network in the country deployed by Globe. In June 2019, Globe joined leaders of the global telecommunications industry, by being the first in Southeast Asia to commercially introduce 5G fixed wireless home broadband service in the Philippines. This makes use of fixed location wireless radios instead of fiber and could provide fiber-like speeds ranging from 50 Mbps to 100 Mbps.

Globe fast tracked its fiber build – Fiber to the Home ("FTTH") or high speed lines – reaching over 1.4 million lines for 2021. Fiber is a technology that offers high-speed connection, with speeds that reach up to 940 Megabits per second ("Mbps") with low latency or lag time. It uses light to transmit and receive data signals as against the electrical signal that digital subscriber line ("DSL") technology uses. Fiber is capable of sending data as fast as 70% of the speed of light and can generate speeds up to 100x faster than DSL.

Globe At Home Broadband Plans provides optimal connectivity at home with Unli Fiber Internet. Globe's At Home Broadband Unli Fiber Up plans range from ₱1,499 per month for up to 20 Mbps to as high as 1 GbpsGbps for ₱9,499 per month. The Unli Fiber Up1699 plans and up is inclusive of benefits such as: six (6)-month access to KonsultaMD and Glnsure with ₱140,500 COVID-19 and Dengue insurance coverage; six (6)-month access with Viu Premium, HBO GO, and Amazon Prime Video; comes with free landline with unlimited calls to Globe and TM.

Customers may also choose to subscribe to Globe At Home Go Big Plans which ranges from ₱1,299 per month for up to 10 Mbps for 150 GB data allocation to ₱1,699 per month for 600 GB data allocation. Go Big Plans customers can likewise enjoy six (6)-month access to KonsultaMD and Glnsure with ₱140,500 COVID-19 and Dengue insurance coverage; six months access with Viu Premium, HBO GO, and Amazon Prime Video; and free landline with unlimited calls to Globe and TM. Customers may choose a HomeSURF or HomeWATCH promo suitable for their needs.

Sales and Distribution

Globe has various sales and distribution channels.

Independent Dealers

Business

Globe utilizes a number of independent dealers throughout the Philippines to sell and distribute its prepaid wireless services. This includes major distributors of wireless phone handsets who usually have their own retail networks, direct sales force and sub-dealers. Dealers are compensated based on the type, volume and value of reload made in a given period. This takes the form of fixed discounts for prepaid airtime cards and SIM packs, and discounted selling price for phone kits. Additionally, Globe also relies on its distribution network of nearly 1.0 million AutoloadMax retailers nationwide who offer prepaid reloading services to Globe and TM subscribers.

Globe Stores

As of December 31, 2021, Globe has a total of 179 Globe Stores across the Philippines where customers are able to inquire and subscribe to wireless, broadband and fixed line services, reload prepaid credits, make GCASH transactions, purchase handsets and accessories, request for handset repairs, try out communications devices, and pay bills. The Globe Stores are also registered with the BSP as remittance outlets.

In October 2021 Globe launched Globe EasyHub, an interactive one-stop shop for all essential needs. Through its digital displays, customers can shop, pay, explore, and even access information on how to request for customer service support in Globe's mobile platforms. Globe EasyHub combines the comfort of brick-and-mortar stores with the power of digital for a more convenient, fast, and secure experience for everyone regardless of age or digital savviness. As of December 31, 2021, there are a total of ten (10) EasyHub booths placed in selected malls nationwide.

Customer Facing Units

To better serve the various needs of its customers, Globe is organized along two key customer facing units ("CFUs") tasked to focus on the integrated mobile, fixed line and international voice and roaming needs of specific market segments. Globe has a Consumer CFU with dedicated marketing and sales groups to address the needs of retail customers, and a Business CFU ("Globe Business") focused on the needs of large and small businesses. Globe Business provides end-to-end mobile and fixed line solutions and is equipped with its own technical and customer relationship teams to serve the requirements of its client base. Globe Business also caters to the international voice and roaming needs of overseas Filipinos, whether transient or permanent. Moreover, it is tasked to grow Globe's international revenues by leveraging on Globe's product portfolio and developing and capitalizing on regional and global opportunities.

Others

Globe also distributes its prepaid products SIM packs, prepaid call cards and credits through consumer distribution channels such as convenience stores, gas stations, drugstores and bookstores.

Competition

Mobile Market

The Philippine mobile market has a total industry SIM base of more than 157 million with an industry penetration rate of 138% as of December 31, 2021. With the growing penchant of Filipinos for smartphones, the mobile data business in the Philippines presents more opportunities for revenue growth. Mobile data usage of both prepaid and postpaid subscribers continues to grow.

Today, with the high level of mobile penetration, driven by the prevalence of multi-SIMming (i.e., individuals having two SIMs), and the emergence of a third player, DITO Telecommunity, the competition in the mobile market remains intense, albeit in a more rational environment. Since its commercial launch in March 2021, DITO has gained over five (5) million subscribers as of December 2021.

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	Mobile Subscribers (Mn)	Penetration Rates (%)	Growth Rate
1998	1.62	2.5	43%
1999	2.68	3.8	65%
2000	5.26	8.6	96%
2001	10.53	14.2	100%
2002	15.17	19.0	44%
2003	22.31	27.3	47%
2004	32.87	39.4	47%
2005	34.61	40.6	5%
2006	42.04	48.3	21%
2007	54.86	61.2	30%
2008	68.03	74.6	24%
2009	75.43*	82.3	11%
2010	86.15*	93.0	14%
2011	93.74*	98.7	9%
2012	102.99*	106.4	10%
2013	108.52*	110.0	5%
2014	113.89*	116.0	5%
2015	124.79	115.2	10%
2016	125.56	120.4	1%
2017	118.98	111.9	-5%
2018	134.59	124.3	13%
2019	167.32	151.8	24%
2020	149.58	133.3	-11%
2021	157.48	137.9	5%

* Estimated end of year figures.

- 1 Starting 2016, nomadic subscribers are included in mobile subscribers (previously reported under broadband subscribers)
- 2 In 2017, the industry has excluded in their reporting the prepaid subscribers who do not reload within 90 days of the second expiry period, versus the previous cut-off of 120 days
- 3 In 2018, under Joint Memorandum Circular No. 05-12-2017, all prepaid load now carries a one-year expiration period
- 4 Includes Globe and PLDT mobile subscribers only. DITO has yet to make official disclosures on its subscriber count but has announced over 5 million mobile subscribers as of December 2021.

Source: National Telecommunications Commission (Statistical Data 2007), publicly available information and Company estimates

Despite periodic consolidation in the market, Globe believes that at present only PLDT, Inc. ("PLDT") and its subsidiaries and the Globe Group have built significant bases of mobile subscribers.

Fixed Line Market

The number of lines in service in the fixed line voice market is estimated at 4.9 million lines as of December 31, 2021 with PLDT's subscriber market share at 74% and Globe subscriber market share at 26%.

The fixed line voice market is currently in decline as the country continues to shift towards alternative communication solutions like VoIP and chat messaging applications.

Corporate Data

The fixed line data business is a growing segment of the fixed line industry. As the Philippine economy grows, businesses are increasingly utilizing new networking technologies and the internet for critical business needs such as sales and marketing, intercompany communications, database management and data storage. The expansion of the local IT Enabled Service ("ITES") industry which includes call centers and BPO companies have also helped drive the growth of the corporate data business.

Dedicated business units have been created and organized within Globe to focus on the mobile and fixed line needs of specific market segments and customers — be they residential subscribers, wholesalers and other large corporate clients or smaller scale industries. This structure has also been

Business

driven by Globe's corporate clients' preferences for integrated mobile and fixed line communications solutions.

Home Broadband Market

Home broadband continues to be a major growth area for the local telecom industry. In a 3-player market, industry home broadband subscribers are now at 9.4 million, up 18% versus 2020 with Globe's subscriber market share at 39.4% as of December 31, 2021. PLDT's subscriber market share is at 42.2% while Converge's market share is 18.4%. The aggressive network roll-out of the various operators, the wider availability of affordable prepaid broadband packages, as well as lower PC and tablet prices were the main drivers of subscriber growth. Operators used both wired and wireless technologies to serve the growing demand for internet connectivity.

While household penetration rate remains low, competition continues to intensify as telecom operators aim to capture the market by accelerating the rollout of broadband network to provide subscribers with faster internet connection and introducing more affordable and bundled offerings.

Suppliers

Globe works with both local and foreign suppliers and contractors. Equipment and technology required to render telecommunications services are mainly sourced from foreign countries. Its principal suppliers, among others, are as follows:

Globe's suppliers of mobile equipment include Huawei Technologies Co., Ltd. (China) and Nokia Corporation (Finland); and for transmission and IP equipment, Globe has partnered with Huawei Technologies Co., Ltd. (China), Nokia Corporation (Finland), NEC (Japan), ECI Telecom, Ltd. (Israel), Aviat Networks (US) and Coriant (US). For providing cell site backhaul via Very Small Aperture Terminal ("VSAT"), Globe partnered with Gilat Satellite Networks, Inc. (Israel). For small cell access solutions for residential and enterprise, Globe partnered with IP Access Inc, (UK).

For fixed line and fixed broadband service, Globe's principal equipment suppliers include Huawei Technologies Co., Ltd. (China), FiberHome Telecom Tech (China), Nokia Corporation (Finland), Juniper Networks (USA), ZTE Corporation (China) and Tellabs (US/Singapore).

For WiFi service, Company partnered with Aruba Networks (US) and Ruckus Networks (US).

For network management and operational support systems, Globe's primary solution provider includes IBM (US), Mycom OSI (United Kingdom), Incognito (Canada), Netcracker (US) and Radcom (Israel), among others.

For Globe's IT modernization program, Globe engaged Amdocs for continuous enhancement of its services and operations. Amdocs Intelligent Operations will assist Globe in managing third-party systems and cloud management solutions. This includes modernizing and running IT operations for multiple lines of businesses, including prepaid and postpaid mobile services, fixed-line broadband, and enterprise services. Globe has also invested in a new digital infrastructure leveraging best-of-breed technologies from Cisco, Dell, EMC and Palo Alto. The new Globe cloud computing capabilities will host various platforms and systems in support of Globe's modernization program.

Customers

As of December 31, 2021, Globe had 86.8 million mobile subscribers, comprised of 2.5 million postpaid and 84.3 million prepaid subscribers. Globe also has over 3.7 million home broadband customers and around 1.3 million fixed line voice subscribers.

Intellectual Property and Licenses

Globe is a grantee of various authorizations and licenses from NTC. Globe also registered its material brand names with the Intellectual Property Office.

Business

Research and Development

Globe incurred market research costs amounting to ₱146 million in 2021.

Dividend Policy

Globe has a policy of distributing 60%-75% of its prior year's core net income in dividends. Globe distributed ₱14.4 billion of dividends to its common shareholders in 2021. Return on equity for the year 2021 was at 24.1.

Dividends paid to common shareholders by Globe for the year ended December 31, 2021 amounted ₱14,426 million.

Regulation

The following is a summary of the recent laws and regulations in the Philippines applicable to the Group, since the date of the Prospectus. For further discussion on laws and regulations applicable to the Group's telecommunications business, please see Regulations on pages 190-192 of the Prospectus.

Public Service Act

R.A. 11650, enacted in 2022, amended CA 146 is the law regulating public services. The salient change in the Public Service Act is the rationalization of foreign equity restrictions by providing a clear definition of "public utilities". The law provides an exhaustive list of public utilities, which includes:

- (1) Distribution of Electricity;
- (2) Transmission of Electricity;
- (3) Petroleum and Petroleum Products Pipeline Transmission Systems;
- (4) Water Pipeline Distribution Systems and Wastewater Pipeline Systems, including sewerage pipeline systems;
- (5) Seaports; and
- (6) Public Utility Vehicles.

Apart from the above-mentioned public services, no other person shall be deemed a public utility unless otherwise subsequently provided by law.

Notably, telecommunications is not among the public services characterized as public utilities. That the law intends to exclude telecommunications services from the definition of public utilities is clear as the law expressly amended R.A. 7925, insofar as the same provides that telecommunications services are public utilities.

The effect of this is significant, in that the telecommunications industry is no longer subject to the Constitutional restrictions on foreign ownership. A telecommunication company may be 100% foreign owned under the new legal regime, subject to restriction on ownership of critical infrastructure such as telecommunications.

An entity controlled by or acting on behalf of the foreign government or foreign state-owned enterprises shall be prohibited from owning capital in telecommunications, as such is classified as critical infrastructure. Notwithstanding this restriction, the sovereign wealth funds and independent pension funds of each state may collectively own up to thirty percent (30%) of the capital of such public services.

POWER GENERATION

Overview

The Company operates its power generation business through AC Energy and Infrastructure Corporation ("ACEIC" and "AC Energy"). AC Energy was incorporated in 2011 as AC Energy Holdings, Inc. ("ACEHI") to pursue greenfield/brownfield, as well as currently operating, power-related projects for both renewable and conventional technologies. In 2016, AC Energy expanded its business purpose to include the purchase, retail, supply and delivery of electricity, and in 2017, the business purposes were expanded further to include the development, operation and maintenance of power projects. In June 2019, ACEHI completed the acquisition of PHINMA Energy Corporation ("PHEN"), an energy platform listed in the PSE, and subsequently renamed it to AC Energy Philippines, Inc. in September 2019. The SEC approved the change of name on October 11, 2019. On March 18, 2020, the ACEN Board voted to rename AC Energy Philippines, Inc. to AC Energy Corporation ("ACEN") to recognize ACEN's offshore expansion through the ACEIC International Transaction and other future strategic initiatives.

In April 2020, the Company announced the approval of the consolidation of the Group's energy, water and logistics businesses under ACEIC. In line with the proposed consolidation, on April 14, 2020, AC Energy's board of directors approved the change of name to "AC Energy and Infrastructure Corporation", subject to regulatory approvals. On October 1, 2020, ACEIC's board of directors approved the consolidation of the Group's water and logistics businesses under ACEIC. With certain developments in the logistics business landscape, this plan is unlikely to be pursued.

In 2020 and 2021, the AC Energy group embarked on a process of transforming its listed subsidiary ACEN to become the group's main energy platform. This included several investments for expansion, ACEIC's transfer of certain assets into ACEN, and ACEN's various capital raising activities all listed as follows. These transactions resulted to ACEIC's effective ownership share in ACEN at 64.65% as of December 31, 2021 (see Note 23 of the consolidated financial statement).

ACEIC - ACEN Corporate Re-organization and Capital Raising Activities								
(in million PhP)		Impact to AC Conso and ACEIC Conso FS				Impact to ACEIC Parent Co FS		
Transactions	Timing	Proceeds (Cash) [a]	Equity Reserve	SHE OCI accounts	Non-controlling interests	Proceeds (Cash)	Investments	Gain (Loss) on Sale
ACEN Stock rights offering (SRO) [b]	Jan 2021	5,374	1,446	(5)	3,933			
GIC investment in ACEN	March 2021	11,880	3,101	(8)	8,787			
ACEN Follow-on offering (FOO) – Primary and Secondary Offering	May 2021	12,870	5,413	(3)	7,653	2,600	(764)	1,836
Transfer of ACEIC's offshore subsidiaries to ACEN [c]	June 2021		(562)	863	(301)		68,905	68,905
ACEIC sale of ACEN secondary shares to GIC and NCI additional capital infusion [d]	Dec 2021	10,346	3,937	80	6,329	9,327	(10,429)	(1,102)
		40,470	13,335	927	26,401	11,927	57,712	69,639
[a] May be slightly different from ACEIC Consolidated FS because figures exclude transactions with other ACEIC subsidiaries and non-controlling interests which do not fall under capital raising activities.								
[b] for purposes of calculation of impact in Equity reserves, SHE OCI accounts and NCI, the Company excluded the amount of subscription of subsidiary of ACEN amounting to P55 million from the net proceeds of the transaction amounting to P5, 319 million.								
[c] ACEIC - ACEN share swap for ownership over certain offshore business units which was approved by BIR as tax-free exchange transaction.								
[d] For purposes of calculation of impact in Equity reserves, SHE OCI accounts and NCI, the Company included the amount of additional subscription of NCI in ACEN amounting to P1,019 million from the total proceeds of P10,346 million								

ACEN has since been designated as the Ayala group's listed energy platform, with parent ACEIC infusing its Philippines and International assets into the listed platform. ACEN has transitioned from being a Philippine-focused power generation company, into a regional energy player with investment,

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development, and operations capabilities. Today it is actively scaling up its renewable energy platform with investments in the Philippines and across the region in Indonesia, Vietnam, Australia, and India. ACEN targets to achieve 5,000MW in attributable renewable capacity by 2025 and aims to become the largest listed renewables platform in Southeast Asia.

In addition to its power generation businesses, ACEN is also engaged in commercial operations, which includes wholesale and retail electricity supply in the Philippines. ACEN's wholesale business includes its power supply agreements ("PSAs") with Meralco in a 10-year 200MW baseload supply contract and a 5-year 110MW mid-merit supply contract. ACEN and ACEIC both obtained retail electricity supply ("RES") licenses allowing them to sell electricity to end-users in the contestable market. In addition to the contracts with Meralco, ACEN has around 313 MW of retail/contestable customer contracts as of December 31, 2021.

ACEN's strategies and objectives are aligned with the United Nations Framework Convention on Climate Change and the Paris Agreement on reducing global carbon emissions to limit global temperature increase to well below two degrees Celsius. Consistent with the Group's commitment to the UN Sustainable Development Goals, AC Energy is additionally focused on protecting the wider environment and creating value for the communities it serves. AC Energy's Environmental and Social Policy has the following objectives: (i) achieve a low carbon portfolio by 2030; (ii) aspire for excellence in environmental management; and (iii) fulfill its commitment to the community.

Together with other listed companies in the Ayala group, ACEN has committed to Net Zero emissions by 2050. Towards this goal, ACEN is working towards a 100% renewable energy generation portfolio by 2025. In line with this, ACEN plans to spin-off or divest all its thermal capacity by 2025.

Projects

As of December 31, 2021, ACEN's power generation portfolio includes 3,028 MW of projects in operation and under construction on a pro forma basis. This includes 154 MW from the recently announced acquisition of UPC-AC Australia and UPC Philippines, approved by ACEN's board of directors on Oct 18, 2021, subject to regulatory approvals. In addition, parent ACEIC still has interests in 533MW of legacy coal assets that are planned to be divested.

ACEN Portfolio:

Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%) ⁽¹⁾	Net Attributable capacity (%) ⁽²⁾	COD
OPERATING ASSETS						
Renewable Energy						
<i>Philippines</i>						
Guimaras Wind	Guimaras, Philippines	Wind	54	100%	54	2014
North Luzon Renewables ⁽³⁾	Ilocos Norte, Philippines	Wind	81	78%	63	2014
IslaSol	Negros Occidental, Philippines	Solar	80	60%	48	2016
SacaSol	Negros Occidental, Philippines	Solar	45	100%	45	Phase AB: 2014; Phase CD: 2015
NorthWind Power	Ilocos Norte, Philippines	Wind	52	100%	52	Phase 1: 2005 Phase 2: 2008 Phase 3: 2014

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Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%) ⁽¹⁾	Net Attributable capacity (%) ⁽²⁾	COD
MonteSol	Negros Occidental, Philippines	Solar	18	100%	18	2016
Maibarara Geothermal Plant	Batangas, Philippines	Geothermal	32	25%	8	Unit 1 (20MW): 2014 Unit 2 (12MW): 2018
Alaminos Solar	Alaminos, Laguna	Solar	120	100%	120	2021
Palauig Solar	Palauig, Zambales	Solar	63	100%	63	2021
<i>Vietnam</i>						
Ninh Thuan Solar	Ninh Thuan, Vietnam	Solar	405	50%	203	2019
Dak Lak and Khanh Hoa Solar Plants	Dak Lak, Vietnam and Khanh Hoa, Vietnam	Solar	80	80%	64	2019
Mui Ne Wind Farm	Binh Thuan Province	Wind	40	80%	64	2020
Quang Binh Wind	Quang Binh Province	Wind	252	80%	202	2021
Ninh Thuan Wind Farm	Ninh Thuan, Vietnam	Wind	88	65%	57	2021
<i>Indonesia</i>						
Salak-Darajat Geothermal Projects ⁽⁴⁾	West Java, Indonesia	Geothermal	663	20%	133	2017
Sidrap Wind Project	South Sulawesi, Indonesia	Wind	75	75%	56	2018
<i>India</i>						
Sitara Solar	Rajasthan, India	Solar	140	80%	112	2021
Paryapt Solar	Gujarat, India	Solar	70	80%	56	2021

Thermal Energy

SLTEC	Batangas, Philippines	Coal	244	100%	244	Unit 1: 2015 Unit 2: 2016
One Subic	Olongapo City, Philippines	Diesel	108	100%	108	1994 (NPC-SPC)
BPGC	Bulacan, Philippines	Diesel	48	100%	48	1998
Power Barge 101 ⁽⁵⁾	Iloilo, Philippines	Diesel (power barge)	24	100%	24	1981 (NPC)
CIPP	La Union, Philippines	Diesel	20	100%	20	2013
Ingrid Quick Response Thermal Plant	Pililia, Rizal	Diesel	150	50%	75	2021 ⁽³⁾

UNDER CONSTRUCTION

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Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%) ⁽¹⁾	Net Attributable capacity (%) ⁽²⁾	COD
Renewable Energy						
<i>Philippines⁽⁶⁾</i>						
Alaminos Battery Energy Storage System ⁽⁷⁾	Alaminos, Laguna	Battery	40	100%	40	2022 ⁽⁷⁾
Bataan RE Lab	Mariveles, Bataan	Solar	4	100%	4	2022 target
Arayat-Mexico Solar Farm	Pampanga	Solar	72	50%	36	2023 target
Pagudpud Wind ⁽³⁾	Ilocos Norte	Wind	160	100%	160	2023 target
San Marcelino Solar	Zambales	Solar	283	100%	283	2023 target
<i>Vietnam</i>						
Lac Hoa Wind & Hoa Dong Wind Farm	Lac Hoa & Hoa Dong, Soc Trang Province	Wind	60	80%	48	2022 target
<i>Australia</i>						
New England Solar Farm Phase 1 ⁽³⁾	New South Wales, Australia	Solar	521	100%	521	2023 target

Notes:

- (1) Effective economic interest refers to ACEN's economic interest directly and/or indirectly held in the project.
- (2) Net Attributable Capacity refers to the product of ACEN's effective economic interest in the relevant power project multiplied by net capacity of the relevant power project.
- (3) Proforma stakes after the announced acquisitions of UPC Australia and UPC Philippines.
- (4) Includes Binary plant expansion, construction of which commenced in 2021.
- (5) Power barges disposed of in the first quarter of 2022.
- (6) Negros Biopower plants sold to ThomasLloyd Group affiliate in 2021.
- (7) Began operations in 2022.

Other Energy Businesses

Wholesale Contracts

AC Energy, through ACEN, won the bid to supply MERALCO with a 200MW baseload demand from 2019 to 2029 and subsequently won the bid to supply 110MW mid-merit supply to MERALCO from 2019 to 2024. In addition, AC Energy's renewable energy portfolio has more than 200MW of capacity under feed-in tariffs with 20-year contracts with the Philippine Government as of the date of this Offer Supplement.

Retail Electricity Supply Business

In addition to its renewable and conventional energy businesses, AC Energy is also engaged in retail electricity supply ("RES"). Both ACEIC and ACEN are licensed to sell electricity to end-users in the contestable market. As of December 31, 2021, ACEN has contracts with various customers and end-users for the supply of around 313 MW.

Competition

ACEN believes that it will face competition in both the development of new power generation facilities, the acquisition of existing power plants, competition for financing for these activities, as well as in the retail electricity supply business. The performance of the Philippine economy and the potential for a

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shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of various electric power generation projects within the Philippines. Accordingly, competition for and from new power projects, and in retail electricity supply may increase in line with the long-term economic growth in the Philippines.

ACEN competes with domestic energy companies for supply contracts under the Competitive Selection Processes ("CSPs"), as well as for retail and contestable customers. Most of the large energy players in the Philippines have mostly thermal platforms, hence, ACEN believes that it is in a unique niche in the Philippine energy sector.

ACEN similarly competes in the regional markets where it is present. ACEN's goal is to become the largest listed renewables platform in Southeast Asia.

In Vietnam, EVN controls the generation, transmission and distribution of energy but it also encourages independent power producers ("IPP") to supplement its own generation capacity. In the renewable energy space, local and international developers are actively competing to secure allocation for the feed-in tariff ("FIT"). ACEN's Vietnam solar projects have all been awarded the solar FIT, and all but one of ACEN's wind farms have been awarded the wind FIT as well. Construction is still ongoing for the remaining 60MW wind farm in Lac Hoa and Hoa Dong.

In Indonesia, similar to Vietnam, the generation, transmission and distribution is controlled by *Perusahaan Listrik Negara* ("PLN", Indonesia's sole electricity business authority), but the Indonesian government also encourages IPP. Indonesia is a highly competitive market with major domestic and international developers. Given the continuing growth of the Indonesian economy, ACEN sees competition to continue to intensify moving forward.

Australia has a fully open energy market that is dominated by a few big generator-retailers ("gentailers") including Origin, AGL, Energy Australia and ERM Power. Several international and smaller domestic players are also very active in the market.

In India, coal continues to fuel India's economy, accounting for more than 50% of the country's installed generation capacity. However, India has added to the current target of 175GW of renewable energy capacity by 2022 with a 450GW of renewable energy capacity target by 2030. This higher renewable energy target and the decreasing cost of renewable energy power prices discovered through competitive tenders will likely result to the displacement of coal-based power production in India.

Environmental

AC Energy aspires to become the largest listed renewables platform in Southeast Asia through its listed platform, ACEN. ACEN targets to reach 5,000MW of renewable energy capacity by 2025.

In November 2021, ACEN announced its commitment to Net Zero emissions by 2050, similar to the commitment of Ayala Corp. and the other listed entities in the Ayala group. Toward this end, ACEN has committed to a 100% renewable generation portfolio by 2025.

As ACEN builds its renewable energy portfolio, it recognizes the importance of working with communities to create development programs that benefit its stakeholders, including in relation to the environment. ACEN targets to "close the loop" in its project locations and help communities live in a pollution-free environment, a critical component of its sustainability strategy. The company has protected 1,070 hectares of forests and planted approximately 450,000 trees, spread over fifteen (15) sites in the Philippines as of June 30, 2021. It has also upcycled 32,540 kg of plastic, much of which has been used to create eco-bricks for its renewable energy power projects.

ACEN conducts biodiversity assessments periodically to determine the types of species on these project sites and their vulnerability status, and invests on habitat protection and restoration. As of December 31, 2021, ACEN has spent over ₱34.87 million since 2018 towards initiatives that aim to deliver a positive impact on biodiversity. These initiatives include the Conservation Estate in Ilocos Norte, Alaminos Sustainability Hub, and turtle conservation and marine life support programs.

The Conservation Estate in Ilocos Norte

Since reforestation initiatives began in the 700-hectare Conservation Estate, close to 400,000 seedlings have been planted as of December 31, 2021, including endemic and fruit-bearing trees. The area has become an important wildlife habitat in the Northern Luzon region, and the forests witness an increase in biodiversity as ACEN, with the help of the locals, creates an ecologically diverse landscape through analogue forestry. The forest is now home to 117 species of birds, thirty (33) of which are endemic, and four are reclassified as vulnerable. Additionally, studies identified the presence of near-threatened monkey species, bats, and other animals. ACEN is constantly working with local communities, creating awareness on coastal environment protection, turtle conservation, and biodiversity, to help them understand how their livelihood is directly linked to natural resources and wildlife.

Alaminos Sustainability Hub

In Alaminos, Laguna, ACEN's 120 MWdc solar plant is surrounded by Ayala Land's Carbon Forest, a woodland reserve that acts as a carbon trap and home to biodiversity. Within the solar farm compound, ACEN has integrated a plastic recycling facility wherein plastic waste collected from the construction site is being upcycled into eco-bricks, which will then be used in building the solar plant facilities.

As ACEN aims to engage with its host communities, from the early stages of the project and throughout the plant operations, it develops programs that will benefit neighboring communities such as livelihood programs through a Tree Nursery with a target of producing 120,000 seedlings, and an Eco-Hub facility for a plastic waste management program. Plans to build an Eco Learning Facility are also underway, where students and other visitors will gain an understanding of renewable energy and forest protection.

This pilot Sustainability Hub will be a living example of how sustainable development can thrive with the help of partners including our host communities. It will be the first of many that ACEN envisions to create within its developments.

Turtle Conservation

In its Bangui wind farm operated by NorthWind, ACEN works closely with the community to develop its turtle sanctuary in the area. Ongoing awareness and training programs for environmental preservation and biodiversity being conducted by AC Energy's wind farms, North Luzon Renewables and North Wind, empower the locals to become stewards of the Conservation Estate in Ilocos Norte. As of December 31, 2021, over 13 turtles were rescued and released into the sea, 18 turtle nests have been recorded and monitored, 240

Marine Life Support

In October 2020, South Luzon Thermal Energy Corporation in Batangas collaborated with the Department of Environment and Natural Resources to support and monitor the growth of a 10-hectare mangrove plantation in Calatagan. In March 2021, AC Energy's Guimaras Wind signed an agreement with the Dumangas local government to develop a fish sanctuary through the placement of artificial reefs to supplement the habitat of marine life in the area.

AC Energy has also entered into partnerships with host communities on a solid waste management program which includes a materials recovery facility in the NorthWind Project and the Montesol Project.

Legal Proceedings

As of December 31, 2021, AC Energy believes that none of the legal proceedings to which the AC Energy Group, or any member of the AC Energy Group, is a party would materially and adversely affect its business. Neither AC Energy nor any member of the AC Energy Group is currently involved in any arbitration proceedings that may have, or have had, a material adverse effect on its financial condition and no such proceeding is pending or threatened.

To the best knowledge and/or information of AC Energy, the current directors and the executive officers are not presently or during the last five years, involved or have been involved in any material legal

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proceeding adversely affecting or involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere.

As used in this section, the term “AC Energy Group” shall refer to AC Energy and its subsidiaries, associates and joint ventures.

INDUSTRIAL TECHNOLOGIES

Overview

The Company engages in the industrial technology business through AC Industrials. AC Industrials continues to invest in its portfolio of subsidiaries and investments in global manufacturing emerging technologies and components, and the assembly, distribution and retail of vehicles in the Philippines.

AC Industrials’ global manufacturing subsidiaries consist of a 52.03% interest in IMI, a Philippine publicly listed company, and a 92.45% stake in privately held, German-domiciled MT. MT, acquired in July 2017, provides modeling, cubing, tooling, and parts design a manufacturing directly to global automotive brands.

AC Industrials also holds the country’s largest multi-brand vehicle dealership group and is a leading Philippine vehicle distributor carrying the *Honda*, *Isuzu*, *Volkswagen*, *KIA*, and *Maxus* brands automobiles, and the *KTM* brand for motorcycles.

AC Industrials also entered the smart energy value chain after acquiring a 99.20% stake in Merlin Solar Technologies in February 2018.

IMI

Established in 1980, IMI has grown into a global company offering core manufacturing capabilities as well as higher value competencies in design and development, advanced manufacturing engineering analytical testing and calibration, test and systems development and automation. IMI is registered with the Philippine Economic Zone Authority as an exporter of printed circuit board assemblies (“PCBA”), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems, among others. It serves diversified markets that include those in the computing, automotive, industrial, medic telecommunications, consumer electronics and renewable energy sectors across multiple markets. IMI also provides power semiconductor and test services.

In 2016, IMI, through its indirect subsidiary, acquired a 76.01% stake in VIA, a Germany-based company with operations in Germany and China and sales offices in the USA and Taiwan. VIA is a leading provider of optical bonding, a key technology to lower reflections thus enabling sunlight readability and increasing robustness, which is mandatory to allow thinner and lighter portable display solutions. The acquisition is expected to allow IMI to strengthen its partnerships with customers by offering complementary automotive camera and display monitor solutions for advanced driver assistance systems.

In 2017, IMI, through its subsidiary IMI UK, acquired an 80% stake in STI, an EMS company based in the United Kingdom, with factories in Hook and Poynton in the United Kingdom and Cebu, Philippines. The acquisition of STI is strengthened IMI’s industrial and automotive manufacturing competencies, broadened its customer base, and also provided access to the UK market through two acquired factories. Furthermore, the partnership allows IMI’s entry into the aerospace, security and defense sectors. STI has factories in the United Kingdom and in Cebu.

In 2018, VIA entered into a joint venture with Toppan Printing Co., Ltd. through the acquisition of a 65% interest in VTS-Touchsensor Co., Ltd., (“VTS”). VTS develops and manufactures metal mesh touch sensors in Japan at Toppan’s manufacturing facilities, and contributes to VIA’s portfolio of sensor technology for touch panels, touch-display modules, display head assemblies, and interactive display systems across multiple markets and segments.

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In 2018, IMI opened a modern manufacturing site in Niš, Republic of Serbia in line with IMI's strategy to strengthen its global footprint and support the growing market for automotive components in the European region.

In 2019, VIA form VIA Optronics AG ("VIA AG") by way of a contribution in kind against issuance of new shares, making VIA AG the sole shareholder of VIA Optronics GmbH. The contribution in kind and resulting re-organization was recognized as a business combination under common control. In the same year, VIA Optronics (Taiwan) Ltd was also founded as a new subsidiary with the purpose of conducting sales activities.

In 2020, VIA raised some proceeds through an initial public offering and was listed on the New York Stock Exchange under the ticker symbol "VIAO". As a result of the initial public offering, IMI's ownership in VIA was diluted from 76.01% to 50.32%.

For the year ended December 31, 2021, IMI generated revenue of US\$ 1.3 billion and net loss attributable to equity holders of IMI of US\$10.6 million.

Location

IMI has production facilities in the Philippines (Laguna and Cebu), China (Shenzhen, Jiaying, Chengdu and Suzhou), Bulgaria, the Czech Republic, the Republic of Serbia, Germany, Mexico and the United Kingdom. It also has a prototyping and NPI facility located in Tustin, California. Engineering and design centers are located in the Philippines, Singapore, China, the United States, Bulgaria, the Czech Republic and Germany. IMI also has a global network of sales and logistics offices in Asia, North America and Europe.

The head office and main plant of IMI are located at North Science Avenue, Laguna Technopark, Biñan, Laguna, 4024 Philippines, which are leased from Technopark Land, Inc., a subsidiary of the Company.

Principal Products and Services

Mobility

Advanced driver-assistance systems, or ADAS, are systems to help vehicle drivers. Autonomous driving is supported by cloud data, car-to-car communication, and car-to-infrastructure communication. ADAS systems must link to a vehicle's communication module directly to enable fully autonomous driving. Major vehicle original equipment manufacturers and Tier 1 suppliers, as well as disruptive newcomers, are accelerating autonomous vehicles and ADAS development efforts.

IMI works with leading automotive Tier 1 suppliers in providing vision systems supporting progression into the new era of mobility. Within its mobility segment, IMI continues to supply key product solutions for safety critical and environmentally focused systems including pump ECUs, motor controls as well as full telemetry systems utilizing an internally developed platform which will provide automotive grade traceability and system monitoring for vehicles. IMI's U.S.-based teams deliver complex electronics including smart motor sensors, medical devices as well as exciting new technologies for the growing EV market. These solutions provide critical vision solutions including, Surround-View, E-Mirrors, ADAS, Driver Monitoring, as well as providing a technical platform for LiDAR and future segment requirements within the camera and vision technologies.

Connectivity

IMI offers customized solutions to customer projects by using mature platforms already developed within IMI. These include 4G/5G, NB IoT/CAT M1, GPS/Satellite and a multitude of sensors providing real time data solutions.

IMI supports the development and manufacturing of systems and products that use IoT, automation, and big data such as electronic door systems, tracking devices, wearables, and wireless industrial controllers.

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Smart energy

IMI continues to invest in having the capabilities and technology to support new energy systems that will consume less power and space. As investments in fossil fuels continue to fall, IMI expects industries to shift on having lesser carbon emissions and having more efficient use of power. With the growth in vehicle electrification and power needs across multiple segments, our power module business, continued to provide high reliability modules and solutions.

VIA AG

VIA AG is a one-stop-shop provider of solutions ranging from excellent optical bonded displays to fully customized Interactive Display Systems (“IDS”). With headquarters in Nuremberg, Germany, VIA AG’s technologies enable high-performing touch functionality, delivering excellent sunlight viewability and robustness against the most challenging requirements, while minimizing power consumption. VIA AG’s enabling technologies include its proprietary silicon-based bonding material, or VIA bond plus, our patented optical bonding processes and its metal mesh touch sensor technology.

In 2020, VIA AG capitalized on the surge of demand for mobile computing devices that enabled work from home arrangements. While display solutions for consumer and industrial laptops were a significant part of business in 2020, VIA AG also continued to transition its operations towards the mobility market by partnering with leading manufacturers in both traditional and electric vehicle spaces. By leveraging proprietary processes and materials, VIA AG is able to offer large cold form glass and display assemblies for the cutting-edge automotive market.

STI

STI is a world class electronics solutions provider with headquarters in the UK and has been in operation for more than two decades since 1989. STI has a history of supply excellence to major OEMs in the aerospace and defense sectors ranging from cockpit avionics assemblies to in-flight entertainment systems.

STI’s aerospace and defense segment provides highly complex RF and communications solutions and its customer relationships continue to flourish with existing and new opportunities.

STI also played a major part in the UK’s fight against COVID-19, with government assistance through 2020, to develop and manufacture critical ventilator products as well as a critical testing product developed specifically for high-throughput environments offering diagnostic testing based on isothermal amplification methods.

To capitalize on the latest trends towards 5G and IoT in the automotive industry, STI continued expansion into the development and manufacturing of new automotive telematics systems. Telematics devices connect to the on-board diagnostics of a vehicle to gain rich data on events, performance, tracking and internal subsystems. Information collected can then be interpreted and transferred wirelessly to a device management platform for use by companies and drivers.

Other Capabilities and Services

Design and Development (“D&D”) Group

IMI’s D&D team has extensive competencies in electronic design, mechanical design, software and product development, and building platforms in the areas of automotive cameras, motor drives, internet of things, and power modules. The team has developed platforms that can be customized to the requirements of its customers as well. The D&D team also provides full design services from concept to product validation and can be involved in full design or in co-design level depending on the customer’s needs.

Test and Systems Development

New major tester projects were awarded to IMI Test and Systems Development Global Team and executed in different IMI factories in 2020. These new projects include customized testers for new power

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module technologies, automotive camera and electronics systems as well as internet of things (“IoT”) products.

Analytical Testing and Calibration Laboratory

Analytical Testing and Calibration (“**ATC**”) develops cost-effective and timely failure analysis, reliability testing, and calibration services while adhering to strict quality standards. IMI’s laboratory instruments and equipment are designed to provide highly reliable analysis results, mindful that critical decisions are made based on results of laboratory analyses.

Advanced Manufacturing Engineering

IMI’s engineers are deeply involved in the development of new and advanced manufacturing process technologies in the field of mobility, connectivity and smart energy. IMI focuses on the design, development, and industrialization of new and advanced processes and material technologies mindful of the continuously increasing complexities required to manufacture modern products today. IMI offers cutting-edge technologies in flip chip, interconnect, and substrate. IMI’s team designs custom processes to suit specific product requirements, from reliability and form factor to functionality, decreasing time-to-market and volume production.

New Product Introduction

New Product Introduction is a process through which a new product is launched or debuted into the market to be consumed or used by the public and business, and is designed to ensure that it will perform successfully.

Camera Vision Technology

IMI is currently manufacturing seven different camera applications from at least 19 different imaging products to support the autonomous driving technology trend.

Sales and Distribution

IMI’s global presence allows it to provide solutions to OEMs catering to regional and international markets. IMI is able to provide its customers access to a number of services and resources through its manufacturing facilities, engineering and design centers, and sales networks in Asia (China, Singapore, Taiwan, Japan, and the Philippines), North America (U.S. and Mexico), and Europe (Bulgaria, Czech Republic, France, and Germany).

IMI’s commercial group is composed of all the regional sales directors and heads of major business units. It was established with a balanced portfolio tapping on horizontal markets for mobility and industrial, and vertical markets for the power module and camera businesses. Apart from shifting sales focus to higher margin segments, part of the strategy was to also achieve shorter gestation periods for revenue generation and to focus on more box build and system assemblies. The group also optimized and expanded the businesses with its key customers through account sharing and key account management to tap regional and global opportunities.

Suppliers

IMI has a broad base of suppliers, both local and foreign. IMI is not dependent on one or a limited number of suppliers.

Customers

IMI has a broad market base of EMS customers across Europe, the Americas and Asia. The current top customer accounts for 8.97%, 8.34% and 8.51% of the IMI group’s total revenue in 2021, 2020, and 2019, respectively.

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Intellectual Property

IMI has several patents registered with the Patent and Trademark Offices in the United States, Europe and Asia.

Competition

IMI competes for customers worldwide, with a key focus on Asia (including Japan and China), North America and Europe. IMI competes with EMS companies and original design manufacturers all over the world. Some of its EMS competitors include Flextronics, Plexus and Kimball.

Environmental Compliance

IMI complies with all applicable regulations and secures all required approvals for its registered activities. Currently, there are no known probable governmental regulations that may significantly affect the business of the Company.

IMI is subject to various national and local environmental laws and regulations in the areas where it operates, including those governing the use, storage, discharge, and disposal of hazardous substances in the ordinary course of its manufacturing processes.

IMI closely coordinates with various government agencies and customers to comply with existing regulations and continuously looks for ways to improve its environmental and safety standards.

Dividend policy

Dividends declared by IMI on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of IMI and other factors. There are no other restrictions that limit the payment of dividends on common shares.

Cash dividends are subject to approval by IMI's board of directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both IMI's board of directors and the stockholders of IMI. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and the PSE.

AC Motors

AC Motors is a group of companies directly owned by AC Industrials which is active across the Philippine motor vehicle value chain. It is one of the largest automotive groups in the country, with investments and operations in vehicle assembly and manufacturing, distribution and retail. From a single-brand automotive business, it has since grown its portfolio to offer a total of five (5) automobile and two (2) motorcycle brands.

AC Motors began operations in 1990 when Ayala invested in the national manufacturer and distributor of Honda automobiles, Honda Cars Philippines, Inc ("HCPI"), of which it owns 12.88% in a joint venture with Honda Motors Co. Ltd. of Japan and Rizal Commercial Banking Corporation ("RCBC"). Ayala subsequently established the dealer group Honda Cars Makati, Inc ("HCMI"), which now operates the largest Honda dealership network in the Philippines, with eleven outlets. Ayala later expanded its automotive holdings with Isuzu Automotive Dealership, Inc ("IADI"), which is also the largest Isuzu dealer group in the country, with eleven dealerships. In addition, AC Industrials has a 15% share in Isuzu Philippines Corporation ("IPC"), the brand's distributor in the country. IPC is a joint venture with Isuzu Motors, Ltd., Mitsubishi Corporation and RCBC.

In 2013, AC Motors marked its entry into automotive distribution when it was appointed as the Philippine distributor of Volkswagen vehicles. In 2018, AC Motors further expanded its brand portfolio when it acquired the national distributorships of Kia and Maxus. The Volkswagen and Maxus businesses are housed under Automobile Central Enterprise, Inc, while the Kia distributorship is held by KP Motors Corporation, a 65% joint venture with Roadworthy Cars, Inc. the brand's previous Philippines distributor.

Business

As of December 31, 2021, Volkswagen and Maxus each have eight (8) dealerships across the country, while KP Motors manages a network of forty-one (41) dealerships and sales outlets nationwide.

AC Motors invested in its first motorcycle brand in 2016 when it formed a strategic partnership with Austrian motorcycle group KTM AG, establishing Adventure Cycle Philippines (“ACPI”) to distribute KTM motorcycles in the Philippines. In addition, ACPI holds a 60% share in KTM Motorcycle Manufacturing, Inc. (“KAMMI”), a joint venture with KTM AG that assembles and manufactures KTM motorcycles in the Philippines. In 2020, ACPI was appointed as the Philippine distributor of Swedish motorcycle brand Husqvarna, with KAMMI manufacturing selected models at its assembly line in Laguna. ACPI serves forty-one (41) KTM dedicated dealerships throughout the Philippines, and through KAMMI, supplies motorcycles for both the local and export markets.

AC Motors also actively retails its automobile and motorcycle distributor brands through Iconic Dealership, Inc., which as of December 31, 2021, owns and operates three (3) Volkswagen, four (4) Kia, four (4) Maxus, and two (2) KTM/Husqvarna dealerships and sales outlets.

2020 was a challenging year for the Philippine automotive industry due to widespread lockdowns which led to dealerships across the country being shuttered for extended periods of time. As such, only 248,050 units were sold in 2020, 40% below 2019. The industry began to recover in 2021, with 293,369 vehicles were sold, an improvement of 18 percent the previous year. Growth might have been even higher if not for the imposition of Safeguard Duties, which significantly increased prices of imported vehicles, from January to August. The industry has yet to return to its all-time high recorded in 2017, which saw accelerated purchases in anticipation of new excise taxes, and is expected to reach pre-pandemic levels by 2024. Prior to this, the automotive sector had grown by a compounded annual growth rate of 17% from 2009 to 2016.

AC Motors continues to weather internal and external challenges, including intensifying competition from existing competitors and new entrants, and a volatile market suffering from the effects of the COVID-19 pandemic. As of December 31, 2021, AC Motors’ holds seven automotive brands in its portfolio, with its three (3) distributor brands and its Honda and Isuzu dealer groups making up a combined 5.2% share of the automotive market. AC Motors directly owns and operates a total of thirty-three (33) automobile and two motorcycle dealerships.

Enabling Technologies Group

In 2017, AC Industrials started assembling its portfolio of enabling technologies when it acquired a 94.9% stake in Ingolstadt, Germany-based Misslbeck Technologies, which was subsequently renamed MT Technologies. It is a tooling, cubing, and serial production business that primarily produces tools, provides modelling services, and manufactures parts for German automotive original equipment manufacturers (“OEMs”). These capabilities were further strengthened when MT Technologies acquired a 75.1% share in the C-CON entities, a group of four companies based in Germany that provides development, design, manufacturing, and process design services to automotive and aerospace OEMs. C-CON also offers a unique proprietary process for carbon fiber reinforced polymer production.

AC Industrials also entered the smart energy space after acquiring a 98.96% stake (which has since been increased to 99.2%) in Merlin Solar Technologies in February 2018. Based in San Jose, California, Merlin holds proprietary grid technology that enables specialty solar panels for unique and demanding applications primarily in transport, marine, roofing and mobile. Merlin Solar Technologies, Inc. manufactures in the Philippines, U.S. and Thailand.

INFRASTRUCTURE

Overview

The Company selectively pursues infrastructure projects in regulated and non-regulated sectors in the Philippines through AC Infra, its 100% owned vehicle for investments in the infrastructure sector.

Business

MCX

MCX is AC Infra's first toll road project, which was awarded in 2011, under the Philippine Government's PPP program. It is a vital access road that links the rapidly growing city of Muntinlupa and the province of Cavite to Metro Manila.

Light Rail Manila Corporation

Light Rail Manila Corporation ("LRMC") is a joint venture company of AC Infra, Metro Pacific Rail Corporation, and Philippine Investment Alliance for Infrastructure fund. LRMC operates and maintains the existing LRT Line 1 and has started construction of an 11.7-km extension from the present endpoint at Baclaran to the Niog area in Bacoor, Cavite. A total of eight new stations will be built along this route, which traverses the cities of Parañaque and Las Piñas up to Bacoor, Cavite to help ease the worsening traffic conditions in this corridor and enhance commercial development around the rail stations.

AF Payments Inc.

AF Payments Inc. ("AFPI") is a consortium (the "AF Consortium") between two of the Philippines' largest conglomerates, the Ayala Group and the First Pacific Group known. The AF Consortium brings together companies that have strong track records and experience in operating banking and payments, utilities, retail, telecommunications, and toll road businesses, focused on developing commuting efficiency and improving customer experience.

AFPI provides the beep card, a contactless and electronic payment systems used in various mass transportation systems. The cashless payment system is used to make payments on the LRT lines 1 and 2, the MRT 3, and on partner public utility buses and jeepneys.

Entrego Fulfillment Solutions, Inc.

In 2018, AC Infra entered the logistics space with its investment in Entrego Fulfillment Solutions, Inc. ("Entrego") through a joint venture between the Group (60%) and the Global Fashion Group (40%), an affiliate of Zalora. Entrego provides 3rd party logistics services such as Courier Express Parcel, Freight Forwarding and Contract Logistics to clients in various industries. Entrego was initially set-up as Zalora Philippines' in-house fulfillment solutions division to ensure delivery lead times and service expectations and was spun off as an independent company in 2017.

HEALTHCARE

AC Health is the portfolio company of the Ayala group for its healthcare investments. It aims to address the unmet need for accessible, affordable, and quality healthcare for all Filipinos by building, investing, and connecting various businesses into an integrated and seamless ecosystem of services across the continuum of care. AC Health proactively invests across three pillars of healthcare: Pharma, Clinics and Hospitals, and Digital Health.

AC Health's investments in pharma aim to establish a supply chain and drug retail network that delivers a wider range of quality, affordable medicine to more Filipinos. This includes Generika Drugstore, a pioneer in generic retail pharmacies established in 2003 which has grown into a chain of over 720 branches nationwide. Meanwhile, its importer and distributor, IE Medica and MedEthix, have become key industry players and have established their presence across various therapeutic areas.

AC Health offers patients an integrated care delivery network across multiple platforms through its clinic and hospital pillar under the Healthway and QualiMed brands. Healthway offers a comprehensive range of community-based primary and mall-based multispecialty clinics, while the QualiMed Health Network complements this with its four general hospitals and one ambulatory and surgical center. Both Healthway and QualiMed have also established themselves through their corporate clinic service offerings nationwide. Towards the end of 2020, AC Health also announced its partnership with Cancer Treatment Services International, a Varian company, for its specialty cancer hospital to be built in Taguig by mid-2023.

Business

AC Health also continues to build and invest in health technology solutions through Vigos. Launched in 2018, Vigos' portfolio of in-house solutions includes healthcare superapp HealthNow, a joint project with Globe's 917Ventures that acts as a comprehensive digital platform for online consultations, medicine order and delivery, and diagnostics-booking.

AC Health continues to establish its presence as a key player in the Philippine healthcare industry, with its dynamic response against COVID-19 over the past few years, and continued transformation in the pharma, clinics, health technology spaces, alongside recent investments into hospitals and specialty care. It has also differentiated itself in the industry with its advocacy of improving healthcare for all through its ecosystem approach.

Given the uncertainty of the COVID-19 pandemic, AC Health wanted to remain flexible to local healthcare needs. AC Health continued to offer PCR testing in both Healthway and QualiMed sites. Concurrently, all four (4) QualiMed hospitals continued to be COVID-19 referral hospitals, and flexibly adjusted their bed capacity to anticipate surges throughout the year.

With the arrival of COVID-19 vaccines in the country, AC Health supported the government's priority to vaccinate the majority of its eligible population by the end of the year. In order to support this, AC Health leveraged its own ecosystem, as well as the Ayala Group. To inoculate COVID-19 vaccines, AC Health utilized its QualiMed hospitals and secured mega-sites through partnering with LGUs, Ayala Group business units, and even provincial hospitals. To have a single platform wherein patients can book and schedule their vaccinations, AC Health utilized their HealthNow app, which also served as the access point for post-care services. To administer the vaccines, Healthway and QualiMed frontliners were deployed across the vaccination sites. AC Health ended the year with over 649,000 doses of COVID vaccines administered, including about 6,000 booster doses, across 20+ sites all over the country.

Apart from vaccinations, AC Health also aimed to better address the medicine needs of their patients. Generika and HealthNow expanded both of their pharmaceutical cabinets and worked to make medicines more accessible through each of their platforms, effectively providing nationwide coverage for their medicine delivery services. MedEthix, AC Health's pharmaceutical importation and distribution unit, partnered with JackPharma to bring in an oral antiviral treatment for COVID-19. Through their partnership with JackPharma, MedEthix brought in the first shipment of Molnupiravir in the country under a Compassionate Special Permit ("CSP"), and made it available to patients via Healthway, QualiMed, and HealthNow.

Overall, AC Health enacted on initiatives that helped the country adapt to the uncertainties of COVID-19, and laid significant groundwork to protect Filipino patients from the virus. In this transition from a pandemic to endemic state, AC Health remains committed to executing its vision of providing affordable, accessible, quality healthcare for all Filipinos –and will continue to work alongside partners from both public and private sectors, and the academe, who share in this vision.

EDUCATION

Following the merger between AC Education and iPeople in May 2019, iPeople became the listed holding company for Ayala's investments in education. The merger, in partnership with the Yuchengco Group of Companies, brought together seven (7) schools with 54,000 students in diverse socio-economic and geographic market segments across the nation, including the National Capital Region, the CALABARZON region, the Bicol region, and Mindanao.

iPeople aims to empower Filipino families by delivering accessible, quality education that enables significantly improved employability for our high school and college graduates. iPeople's mission is to transform lives and society by innovating Philippine education and research. We seek to achieve this through proprietary student value-add programs, continuous upskilling of our teachers, strong industry partnerships, and new technology – enabled delivery methods.

Affordable Private Education Centers Schools

Started in 2013 with one school site and 130 students, APEC has scaled up to become the largest chain of stand-alone high schools in Mega Manila with twenty (20) branches. The institution also runs the APEC Flex Program that gives students the capacity to learn through a homeschool curriculum. APEC

Business

offers Junior and Senior High School with an innovative and progressive approach to earning at a very affordable price point.

University of Nueva Caceres

AC Education acquired the 74-year-old UNC in 2015. Providing basic and higher education, it is the oldest and largest private university in the Bicol region.

National Teachers College

In 2018, AC Education acquired NTC. Founded ninety-three (93) years ago, NTC is the pioneering private institution for teacher education in the country. It serves students from Kinder up to the Doctorate Level.

Mapua University

Founded in 1925, Mapua is one of the country's leading engineering and technical universities. It is a world ranked QS-4 Star university, was granted Autonomous status by the Commission of Higher Education in 2019, and is the school with the most CHED Centers of Excellence in engineering. Mapua serves students in senior high school, college, and graduate school levels.

Malayan Colleges Laguna

Founded in 2006, in Cabuyao, Laguna, MCL is the best board exam performing private higher education institution in the CALABARZON Region. Known for its STEM programs, MCL is a QS-3 Star school that has senior high up to undergraduate degree levels. It was granted Autonomous status by CHED in 2019, making it the youngest school to achieve this level of accreditation.

In late 2021, MCL launched ***Mapua Malayan Digital College***, a new college focused on technology and business. It is an affordable digital-first offering that delivers a cutting-edge online curriculum and offline experiences designed for the modern Filipino student. It also harnesses the academic excellence and heritage of Mapua University and MCL.

Malayan Colleges Mindanao

MCM opened in 2018 in Davao City. It offers undergraduate programs in arts and sciences, business, computer and information science, engineering and architecture, and senior high school.

Malayan High School of Science

MHSS is a private junior high school focused on preparing its students for STEM programs and is well-known for winning interscholastic science competitions in the country.

AC VENTURES HOLDING CORP. ("AC VENTURES")

AC Ventures is Ayala's platform for peeking into new technologies and business models that are relevant to the group. It aims to be an enabler by investing in adjacent businesses that are complementary to Ayala's existing business units and a pathfinder by investing in new sectors, emerging trends, and innovative businesses. Through AC Ventures, Ayala intends to embrace disruptive technologies and business models as it endeavors to grow its existing businesses and explore new verticals. In 2021, AC Ventures, together with Ayala Malls, acquired a 15% stake in Etaily, an e-commerce enabler that provides brands and merchants a one-stop omnichannel solution to help them sell virtually. In addition, AC Ventures also embarked on value realization initiatives and returned USD43.2 million to AC by selling its existing portfolio investments in the Milestone Group, Arbor Ventures Funds I and II and Arch Capital Fund IV.

AC Ventures holds a 44.6% stake in Zalora Philippines, the largest fashion and lifestyle ecommerce platform in the country as well as a 5.2% stake in Mynt, a fintech venture with Globe and Ant Financial that operates the fast-rising digital wallet GCash.

Business

Further, AC Ventures oversees Ayala's offshore investments through AG Holdings. Over the past several years, AG Holdings has served Ayala's vehicle for its investments in the US and Asia as well as its interests in private equity and real estate funds, property co-investments, and technology business ventures. Ayala's USD237.5 million strategic investments in the Yoma Group and USD100 million commitment to the ACTIVE Fund are held under AG Holdings.

AG HOLDINGS INVESTMENTS

North America

AG Holdings holds interests in a real estate private equity fund invested in multi-family projects in the states of California, Washington, Oregon, Arizona, and Colorado in the U.S.

WATER

Overview

Manila Water is principally engaged in the business of providing water, sewerage and sanitation services to more than seven (7) million people in the East Zone of Metro Manila in the Philippines, covering twenty-three (23) cities and municipalities, including Makati, Mandaluyong, San Juan, Taguig, Pateros, Marikina, Pasig, most of Quezon City, certain towns Rizal Province, as well as some parts of Manila. Manila Water was established and incorporated on 6 January 1997. On February 21, 1997, under a 25-year Concession Agreement Metropolitan Waterworks and Sewerage System (MWSS), Manila Water was given the exclusive right to provide services to the East Zone of Metro Manila, as an agent and contractor of the MWSS (the **"East Zone Concession"**). The Company's concession was extended for 15 years by MWSS and the Philippine Government in 2009, from 7 May 2022 to 6 May 2037.

On February 1, 2020, Manila Water and Prime Metroline Holdings, Inc. (**"Prime Metroline"**), on behalf of its subsidiary Trident Water Company Holdings, Inc. (**"Trident Water"**), signed a subscription agreement for the acquisition by Prime Metroline of 820.0 million common shares (equivalent to 24.96% economic rights) of Manila Water at ₱13.0 per share. On February 7, 2020, Prime Metroline announced its intention to make a mandatory offer for Manila Water's shares at an offer price of ₱13.0 per share. In addition, on February 6, 2020, as part of the shareholder agreement to be executed among the Company, its wholly-owned subsidiary Philwater Holdings Company, Inc. (**"Philwater"**) and Trident Water, the executive committee of the Company approved the grant of proxy rights by Philwater to Trident Water over its 4 billion preferred shares to enable the latter to achieve 51.0% voting interest in Manila Water, subject to the conditions set out in the subscription agreement. Upon the grant of the proxy rights to Trident Water, the Company's voting interest in Manila Water will be 31.6%. On February 15, 2021, Manila Water and Prime Strategic Holdings, Inc. (previously known as Prime Metroline Holdings, Inc.) signed an Amendment to the Subscription Agreement which was originally executed by both parties last February 1, 2020. The amendment covers the inclusion of Trident Water as party to the subscription agreement following its establishment, as well as the incorporation of updated payment terms which is 50% upon closing and 50% upon call of Manila Water's Board of Directors. Furthermore, Philwater and Trident Water signed a share purchase agreement wherein the former agreed to sell 2,691,268,205 of its preferred shares in Manila Water to the latter. The purchase of the preferred shares reflects a 39.09% voting stake and 8.19% economic stake in Manila Water. The purchase price for the preferred shares was set at ₱1.80 per share, resulting in a total purchase price of over ₱4.8 billion. The aforementioned transactions closed on June 3, 2021, as a result of which Trident Water gained control over Manila Water from the Group.

As a result of the foregoing transaction, in 2019 the Group's investment in Manila Water was reclassified to "assets and liabilities and operations of segment under PFRS 5". See Note 24 to the Company's audited consolidated financial statements included in this Offer Supplement.

The following tables set out selected financial information and selected key performance indicators of Manila Water as of and for the periods indicated:

Business

Selected Financial Information

For the year ended December 31, 2021 (in ₱ millions)

Total Operating Revenues	₱ 20,292
Manila Concession and Head Office	16,037
Domestic Subsidiaries	4,256
Foreign Subsidiaries	-
EBITDA ¹	11,101
Net Income	3,754
Non-Controlling Interests....	81
Net Income Attributable to Equity Holders of Manila Water	<u>3,673</u>

1 EBITDA is calculated as total revenue less total cost of services and operating expenses excluding depreciation and amortization plus other income (expenses)

The calculation for EBITDA is as follows:

For the year ended December 31, 2021 (in ₱ millions)

Total Revenues	₱ 20,292
Less: Total Cost of Services.....	8,941
Less: Operating Expenses	3,907
Add: Depreciation and Amortization.....	3,628
Add: Other Income (Expenses).....	29
EBITDA	<u>11,101</u>

Selected Key Performance Indicators*

As of December 31, 2021

Liquidity Ratio ¹	0.68
Solvency Ratio ²	0.08
Debt-to Equity Ratio ³	1.29
Assets-to-Equity Ratio ⁴	2.42
Interest Rate Coverage Ratio ⁵	3.02
Return on Equity ⁶	5.5%
Return on Assets ⁷	2.3%

* Data as of 30 June 2021 is not available

1 Sum of cash and cash equivalents and short-term investments divided by current liabilities

2 Sum of net income, depreciation and amortization, provision for probable losses and impairment losses divided by sum of non-current liabilities and current liabilities. The calculation for Solvency Ratio is as follows:

As of / For the year ended December 31, 2021 (in ₱ millions)

Net Income	3,754
Depreciation and Amortization	3,329
Provision for probable losses and impairment losses	444
	<u>7,527</u>
Total Liabilities.....	<u>97,192</u>
Solvency Ratio.....	0.08

3 Total debt divided by total equity. Total debt is calculated as total liabilities less service concession obligation (current and noncurrent portions). Total equity is equity attributable to equity holders of Manila Water. The calculation for Debt-to-Equity Ratio is as follows:

Business

As of December 31, 2021 (in ₱ millions)

Total Liabilities.....	97,192
Current portion of Service Concession Obligations.....	627
Non-current portion of Service Concession Obligations.....	8,332
Total Debt.....	88,233
Equity attributable to equity holders of Manila Water	68,325
Debt-to-Equity Ratio.....	1.29

4 Total assets divided by total equity

5 EBIT divided by interest expense. EBIT is calculated as earnings before income tax plus interest expense less interest income. The calculation for Interest Rate Coverage Ratio is as follows:

As of / For the year ended December 31, 2021 (in ₱ millions)

Earnings before income tax.....	5,308
Interest expense	2,473
Less: Interest income	308
EBIT	7,473
Interest expense	2,473
Interest Rate Coverage Ratio	3.02

6 Net income divided by total equity

7 Net income divided by total assets

Manila Water is currently listed on the PSE.

Business of Manila Water

Manila Water provides services under the Concession Agreement entered into with MWSS on February 21, 1997. It started operations on August 1, 1997. The Concession Agreement granted Manila Water the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets required to provide water delivery and sewerage services in the East Zone for a period of twenty-five (25) years. On April 16, 2009, Manila Water's application for the 15-year extension of the Concession Agreement was acknowledged and approved by the MWSS Board of Trustees through resolution No. 2009-072. The resolution was confirmed by the Department of Finance following the special authority granted by the Office of the President, effectively extending the term of the concession from 2022 to 2037.

On March 31, 2021, MWSS and the Company executed a Revised Concession Agreement ("Revised CA") following the directive of government to review the provisions of the original Concession Agreement. The resulting Revised CA retains important aspects of the original Concession Agreement such as the Rate Rebasing mechanism, as well as the confirmation of the concession period duration to be until July 31, 2037.

On December 10, 2021, the franchise of Manila Water (Republic Act 11601) was signed into law and became effective on January 25, 2022. Said law grants Manila Water the franchise to establish, operate and maintain a waterworks and sewerage system in the East Zone Service Area of Metro Manila and the Province of Rizal. It confirms the status of Manila Water as a public utility, consistent with the provisions of the Revised CA.

Aside from the East Zone, Manila Water holds all its domestic operating subsidiaries through Manila Water Philippine Ventures, Inc. ("MWPV"). Currently under MWPV are (1) bulk water supply businesses; (2) water distribution and used water services businesses; and (3) business-to-business water and used water service businesses.

Outside of the Philippines, Manila Water operates through its holding company for international ventures, Manila Water Asia Pacific Pte. Ltd. ("MWAP"). Through MWAP, Manila Water has (1) 49%

Business

ownership in Thu Duc Water B.O.O. Corporation, the largest private bulk water operator in Ho Chi Minh City, (2) a 47.35% stake in Kenh Dong Water Supply Joint Stock Company, a bulk water supplier in Ho Chi Minh City supplying bulk water to Saigon Water Corporation, (3) holdings in Saigon Water Infrastructure Corporation ("Saigon Water"), a holding company listed in the Ho Chi Minh City Stock Exchange, and (4) holdings in Cu Chi Water Supply Sewerage Company, Ltd. ("Cu Chi Water").

Apart from its operations in Vietnam, MWAP has associates in Thailand, Indonesia and Kingdom of Saudi Arabia ("KSA") by way of the following companies: (1) Eastern Water Resources Development and Management Public Company Limited ("East Water"), a fully integrated water supply and distribution company listed in the Stock Exchange of Thailand; (2) PT Sarana Tirta Ungaran ("PT STU"), an industrial water supply operation in Indonesia; and (3) International Water Partners Company ("IWP"), a consortium between Saur SAS, Miahona Company and Manila Water for the execution of the management, operation and maintenance contract with KSA's National Water Company's North West Cluster.

Lastly, Manila Water Total Solutions Corp. ("MWTS"), a wholly-owned subsidiary of Manila Water, handles after-the-meter products and services including pipe-laying, integrated wastewater services and the incubation of new sector businesses.

The East Zone Concession

Please refer to pages 193-195 of the Prospectus, which set forth certain key terms of the Concession Agreement with MWSS relating to the East Zone.

On March 31, 2021, Manila Water and the MWSS executed a Revised Concession Agreement ("Revised CA") amending the Concession Agreement for the operation and maintenance of the waterworks and sewerage system within the Service Area East of the MWSS.

The Revised Concession Agreement confirms the continuation of the concession until July 31, 2037 and maintains the rate rebasing mechanism under the Concession Agreement. Thus, rates for water and sewerage services shall still be set at a level that will permit Manila Water to recover over the term of the concession expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

The Revised CA largely adopts the provisions of the New Clark City – Joint Venture Agreement ("**NCC-JVA**") for the development of water and wastewater infrastructure in New Clark City. Consistent with the NCC-JVA, the Revised CA removes corporate income taxes from recoverable expenditures as well as the quarterly adjustments for foreign currency differential. To mitigate the impact of tariff increases on customers, the Revised CA lowers the inflation factor to 2/3 of the consumer price index adjustment and imposes caps on increases in standard rates for water (1.3x the previous standard rate) and wastewater (1.5x the previous standard rate). Finally, instead of a market-driven appropriate discount rate, Manila Water shall be entitled to a fixed 12% nominal discount rate.

Recovery of the economy post-COVID 19, the CA Agreement includes a tariff freeze until December 31, 2022. Service obligations will be adjusted in line with the new standards under the Revised Concession Agreement with corresponding realignments to the 2018 Service Improvement Plan to be finalized with the MWSS.

The Revised CA will be covered by an undertaking letter from the Republic of the Philippines applicable to contracts and obligations existing at the time of execution of the agreement.

The Revised CA shall be effective upon compliance with all conditions precedent but not later than six (6) months from the date of signing or until September 30, 2021.

On February 16, 2022, the Parent Company and MWSS signed a Fourth Amendment to the RCA to further extend the effective start date of the RCA up to March 18, 2022 to allow more time for the completion of remaining conditions precedent to the effectivity of the RCA.

On December 10, 2021, the franchise of Manila Water (Republic Act 11601) was signed into law. This grants Manila Water the franchise to establish, operate and maintain a waterworks and sewerage system in the East Zone Service Area of Metro Manila and the Province of Rizal. It confirms the status

Business

of Manila Water as a public utility, consistent with the provisions of the Revised Concession Agreement executed between Metropolitan Waterworks and Sewerage System (MWSS) and Manila Water on March 31, 2021.

The franchise shall coexist alongside the RCA, wherein the RCA shall serve as the certificate of public convenience and necessity ("CPCN") of Manila Water. Specifically, the RCA contains the terms and conditions of Manila Water's concession for the provision of water and wastewater services to the East Zone Service Area, Rizal, and Cavite. The RCA will remain valid unless terminated after due notice and hearing.

The term of the RCA is currently until 2037. However, the franchise authorizes MWSS to extend the term of the RCA up to the term of the franchise, when public interest for affordable water security requires and upon application by Manila Water, subject to notice and hearing.

Water Operations

The supply of water by Manila Water to its customers generally involves abstraction from water sources and the subsequent treatment and distribution to customers' premises. In 2020, the East Zone Business Operations supplied a billed volume of 506 million cubic meters ("MCM") of water compared to 494 MCM billed in 2019 and 503 MCM billed in 2018, reflecting 1,033,211 water services connections as of December 31, 2021 as compared to 1,017,639 water services connections as of December 31, 2020 and 1,002,380 water service connections as of December 31, 2019. In 2021, the East Zone Business Operations posted a billed volume of 489 MCM of water compared to 506 MCM billed in 2020, with the decrease primarily due to lower consumption across all segments, largely coming from the Commercial and Industrial segments, amid the prevailing COVID-19 pandemic. Water service connections for 2021 was at 1,033,211, representing a 2% increase from the same period last year.

Water Resources

Under the Concession Agreement, MWSS is responsible for the supply of raw water to Manila Water's distribution system to enable the latter to service its current and future demand. Manila Water has a current allocation from its existing water source, Angat Dam, of a maximum of 1,600 MLD. In case MWSS fail to supply the required quantity, Manila Water is required to distribute available water equitably to its customers. *See also "– Suppliers" for further information on the water sources of Manila Water.*

Water Treatment

Raw water is stored at the La Mesa reservoir located immediately downstream of the Novaliches portal interconnection prior to treatment in three filter plants, two of which are located 7 km away in Balara and one near the La Mesa dam. Aqueducts enable either intake from three towers at La Mesa reservoir or by-pass flow direct from the portal interconnection to Balara.

The Balara treatment plants have a total design capacity of 1,600 MLD and consist of two separate treatment systems: Balara Treatment Plant 1 which was commissioned in 1935 with a design capacity of 470 MLD and Balara Treatment Plant 2 which was commissioned in 1958 with capacity of 1,130 MLD. The East La Mesa Treatment Plant is located in Payatas, Quezon City and was commissioned in June 2012. It has the capacity to treat 150 MLD of water. It supplies water to developing areas in the Rizal province. The treatment process in these plants involves coagulation, flocculation, sedimentation, filtration and chlorination. The facilities consume higher quantities of chemicals during the rainy season when the turbidity of raw water increases, which consequentially leads to increased costs of treatment operations.

In March 2019, Manila Water's treatment plant in Cardona became operational. The Cardona plant uses advanced technical processes to treat the raw water from Laguna Lake. 'Raw' water has highly variable qualities like salinity, organic matter and turbidity, making its treatment much more complex than typical surface water. These techniques include pre-ozonation, Actiflo® settlers and Actiflo® CARB, dual media filters, reverse osmosis and post-chlorination. The Cardona plant has raw water intake structures, a raw water pump station, a waste treatment facility, a process optimization research facility, as well as a storage reservoir and distribution pipelines.

Business

The Luzon treatment plant was commissioned in June 2019 to supply the parts of Quezon City affected by the water shortage earlier in 2019. This plant draws water from AQ2, one of the aqueducts from La Mesa Dam going to the Balara Treatment Plants. The treatment process used is an ultrafiltration system, which is different from the conventional systems found at the Balara and East La Mesa plants. Ultrafiltration is a type of membrane filtration process wherein pressure-driven raw water passes through a semi-permeable membrane, of very small pore size, enough to separate suspended solids, endotoxins, bacteria, viruses, and other pathogens. The filtered water has most turbidity removed; thus, it has high purity and low silt density.

Water Distribution

After treatment, water is distributed through Manila Water's network of pipelines, pumping stations and mini-boosters to bring potable water to its customers at set pressure standards. As of December 31, 2021, 96.54% of currently served areas have water supply with pressure of at least 7 psi. The lower than target of 98% water availability at 7 psi was the result of the reduction in raw water allocation from Angat that necessitated scheduled water interruption for the entire East Zone and to protect raw water levels for the coming periods.

As of December 31, 2021, Manila Water's network consisted of approximately more than 5,200 km of total pipeline, comprising of primary, secondary and tertiary mains ranging in diameter from 50 to 2,200 mm. The pipes are made of steel, cast iron, high-density polyethylene (hdpe), polyvinyl chloride (pvc) and other materials.

Pumping stations also play a critical part in water distribution. As of December 31, 2021, approximately 65% of the treated water supplied by Manila Water was pumped to ensure pressure compliance especially for the highly elevated areas. Manila Water operates twenty-one (21) pumping stations with a combined maximum pumping capacity of 3,100 MLD and an average plant output of around 1,364 MLD. Most of the major pumping stations have reservoirs with a combined capacity of almost 550 MLD.

Manila Water operates thirty (30) line boosters to reach the fringe areas, which are quite distant from the treatment plants and pumping stations. At the height of the water supply shortage in 2019, a total of sixty-four (64) line boosters were operated by Manila Water. Line boosters are small facilities aimed at augmenting water supply in areas which are not sufficiently supplied by the regular operations of the pump stations.

Sewerage Operations

Manila Water is responsible for the provision of sewerage and sanitation services through the operation of new and existing sewerage systems and a program of regular maintenance of household septic tanks in the East Zone. Areas with sewer access are principally located in Quezon City and Makati; however, parts of Manila, Taguig, Cainta, Pasig and Mandaluyong are also connected to sewer networks.

Customers who are not connected to the sewer network are provided with septic tank maintenance services through the "Sanitasyon Para Sa Barangay" program. Through cooperation with the barangays, the "Sanitasyon Para Sa Barangay" program aims to de-sludge all septic tanks in a barangay without charge over a specified, set schedule. In 2020, the Company provided the service to 622,511 people, equivalent to emptying 77,438 septic tanks.

As at December 31, 2021, the Company was operating forty-one (41) wastewater facilities and sewage treatment plants, with a total capacity of 310 MLD.

New Business Initiatives

Although the bulk of Manila Water's business is focused on its core East Zone operations, Manila Water operates water utility projects outside of the East Zone through joint venture agreements and brings its expertise in water and wastewater services outside of the East Zone through partnerships with private companies, local water districts and local government units of major cities and municipalities in the Philippines, and emerging cities in Southeast Asia and other key regions.

Business

Manila Water executes several contracts related to the water business such as performance-based contracts for nonrevenue water reduction, bulk water supply arrangements, property management and operation models, lease agreements, and operations and maintenance contracts. Manila Water has also signed joint venture agreements and investment agreements with local and international partners in recent years.

Environmental Compliance

Manila Water's water and used water facilities must comply with Philippine environmental standards set by the DENR on water quality, air quality, hazardous and solid wastes, and environmental impacts. All projects are assessed for their environmental impact and where applicable, must obtain an ECC from the DENR prior to construction or expansion. Subsequent to construction, air emissions and effluents from facilities are routinely sampled and tested against DENR environmental quality standards using international sampling, testing and reporting procedures.

Manila Water has made efforts to meet and exceed all statutory and regulatory standards. Manila Water employs the appropriate environmental management systems and communicates to its employees, business partners and customers the need to take environmental responsibility seriously. Manila Water uses controlled work practices and preventive measures to minimize risk to the water supply, public health and the environment. Manila Water's regular maintenance procedures involve regular disinfection of service reservoirs and mains and replacement of corroded pipes.

Manila Water continues to undertake improvements in the way it manages both treated water and used water as well as treatment of by-products such as backwash water, sludge and biosolids. Manila Water has contingency plans in the event of unforeseen failures in the water and used water treatment or chemical leakage and accidental discharge.

Manila Water also adopted a policy on climate change. While Manila Water undertakes climate change mitigating measures such as greenhouse gas accounting and reporting along with initiatives to optimize consumption of fuel and electricity to reduce its carbon footprint, Manila Water is also focused on climate change adaptation such as intensifying watershed rehabilitation work, resiliency and adaptation assessment of water sources and assets, improving the climate-resiliency of existing and future water and used water facilities, strengthening risk reduction and management systems with a business continuity plan, and development of new water sources.

Competition

Manila Water does not face direct competition within its principal areas of operation as it operates in a highly regulated industry.

Suppliers

Manila Water substantially relies on surface waters coming from the Angat River System as its primary source of raw water. The surface waters from the sources are collected and impounded through the Angat Dam, conveyed subsequently through the Ipo Dam where water is diverted through tunnels to Bicti and aqueducts to La Mesa. Only a very small amount of Manila Water's water supply is ground-sourced through deep wells. See *"Risk Factors – Risks relating to the Group's water utilities business – Manila Water has limited sources of raw water and the volume of raw water available to Manila Water may be constricted or limited by various factors beyond Manila Water's control and may not increase with expected increases in water demand"* in pages 228-233 of the Prospectus.

In March 2019, the La Mesa Reserve breached the critical level of 69 meters which prevented Manila Water from getting its 150MLD per day from the said dam. This additional 150MLD is important to augment the 1,600MLD contractual allocation Manila Water gets from the Angat Dam. Without the additional 150MLD of raw water from the La Mesa Reserve, Manila Water was unable to fully serve peak demand at sufficient pressure. Consequently, from 100% service, Manila Water's service degraded to almost 70% at its lowest point during this period.

In April 2019, the MWSS imposed a financial penalty to Manila Water amounting to ₱534 million for its inability to meet its service obligations to provide around the clock water supply to its consumers in

Business

accordance with the Concession Agreement. This inability to provide continuous water supply to was primarily because Manila Water's allocated water supply from Angat Dam was no longer sufficient for the total demand of the East Zone consumers. Manila Water's raw water allocation has remained unchanged at 1,600MLD since the Manila Concession began in 1997 and the East Zone had a population of only three million. Today, Manila Water serves a population of approximately seven million people. For many years, Manila Water has strongly advocated for the development of new water sources beyond Angat Dam, both to ensure sufficiency of water supply as well as for resiliency in the face of calamities. However, the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS.

Manila Water undertook its own initiatives to address prevailing challenges and restore water service to customers. First, Manila Water voluntarily implemented a one-time Bill Waiver Program in March 2019 to help alleviate the inconvenience of all customers and assist severely affected areas. Second, Manila Water energized the Cardona Plant which is producing well over its original committed capacity of 50MLD, currently with a total production capacity of 100MLD. Third, Manila Water undertook the recommissioning and development of new deep wells with a total current yield of over 50MLD. These initiatives, along with a more deliberate and proactive network management and optimization program, have restored water availability to regulatory levels for 99% of Manila Water customers.

Customers

Due to the nature of its business, Manila Water has a fixed customer base for its principal areas of operation which is in the eastern side of Metro Manila, comprising a broad range of residential, commercial and industrial customers. The East Zone Concession encompasses twenty-three (23) cities and municipalities spanning a 1,400-square kilometer area that includes Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Quezon City, portions of Manila, as well as the towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay and Teresa. From a customer base of 310,682 water service connections in 1997, the East Zone Concession maintains over 1,000,000 water service connections, serving approximately seven million people.

Regulations

Please refer to pages 233-235 of the Prospectus.

Dividend policy

Under Manila Water's cash dividend practice, common shares are entitled to annual cash dividends equivalent to 35% of the prior year's net income, payable semiannually in May and October. Manila Water's board of directors may change its cash dividend policy at any time.

On November 20, 2018, Manila Water's board of directors approved a 10% cash dividend payment to its participating preferred shares, which was paid on December 20, 2018.

Manila Water's board of directors is authorized to declare cash dividends. A cash dividend declaration does not require any further approval from the stockholders, while a stock dividend declaration requires the further approval of stockholders representing not less than two-thirds (2/3) of Manila Water's outstanding capital stock.

Some of Manila Water's loan agreements carry covenants that restrict declaration of payments of dividends under certain circumstances, such as in the event of default or if payment would cause an event of default, if certain financial ratios are not met or if payment would cause them not to be met, requiring revenues of Manila Water to be applied toward certain expenses prior to the payment of dividends, and other circumstances.

Dividends paid by Manila Water for the years ended December 31, 2019, 2020, and 2021 amounted to ₱2,243.4 million, nil, and ₱1,863.8 million, representing dividend payout ratios (being dividends paid divided by net income attributable to Manila Water's equity holders) of 50.8%, nil, and 50.7%, respectively.

EMPLOYEES AND LABOR RELATIONS

The following section discusses updates to the Employees and Labor Relations section after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement and the Prospectus. Prospective investors should read the entire Offer Supplement and the Prospectus carefully, including the section entitled “Employees and Labor Relations” and the audited financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

As December 31, 2021, Ayala had 151 employees classified as follows:

Staff	55
Managers and Executives	81
Consultants	15
Total	151

DESCRIPTION OF PROPERTY

Ayala Corporation

Ayala Corporation owns three floors and co-owns one floor of the Tower One Building located in Ayala Triangle, Ayala Avenue, Makati which were purchased in 1995 and are used as corporate headquarters of the Company. Other properties of the Parent Company include various provincial lots relating to its business operations totaling about 1,343.82 hectares and Metro Manila lots totaling 3.35 hectares. The Honda Cars Makati, Honda Cars Pasig, Honda Cars Alabang, and Isuzu Alabang dealership buildings are all located on the Parent Company's Metro Manila lots which are leased to these dealerships. Certain properties are subject to certain conditions, restrictions and covenants which the Parent Company is compliant with.

ALI

The following table provides summary information on ALI's landbank as of December 31, 2021.

Properties included are either wholly owned or part of a joint venture and free of lien unless noted.

In Estates	Location	Ha.	Outside Estates	Ha.
Metro Manila		168	Metro Manila	106
Makati CBD	Makati City	46	Las Piñas	86
BGC	Taguig City	27	QC	11
Arca South	Taguig City	21	Pasig	4
Parklinks	Quezon City - Pasig City	18	Paranaque	3
Ayala Alabang	Muntinlupa City	18	Makati	2
Circuit Makati	Makati City	17	Mandaluyong	0.6
Cloverleaf	Quezon City	9	Manila	0.3
Vertis North	Quezon City	7	Pasay	0.3
The Junction Place	Quezon City	4		
Southpark District	Muntinlupa City	2		
Luzon		5,041	Luzon	5,022
Nuvali	Sta. Rosa, Laguna	1,429	Cavite	2,526
Alviera	Porac, Pampanga	1,173	Batangas	988
Altaraza	San Jose Del Monte, Bulacan	864	Laguna	755
Lio	El Nido, Palawan	767	Bulacan	236
Vermosa	Imus, Cavite	340	Bataan	220
Cresendo	Tarlac City, Tarlac	276	Pampanga	197
Evo City	Kawit, Cavite	160	Quezon	46
Broadfield	Binan, Laguna	32	Camarines Sur	26
			Rizal	15
			Nueva Ecija	6
			Tarlac	6
			Cagayan -	
			Tuguegarao	2
Visayas		899	Visayas	316
Sicogon Island Resort	Iloilo	810	Cebu	172
North Point	Talisay, Negros Occidental	23	Negros Occidental	87
Cebu Park District	Cebu City, Cebu	22	Iloilo	58
Gateway Central	Mandaue, Cebu	13		
Seagrove	Mactan Island, Cebu	11		
Southcoast City	Cebu City, Cebu	11		
Atria Park District	Mandurriao, Iloilo	8		
Capitol Central	Talisay, Negros Occidental	0.4		
Mindanao		274	Mindanao	657
Habini Bay	Laguindingan, Misamis Oriental	242	Davao del Sur	430
Azuela Cove	Davao City, Davao del Sur	22	Misamis Oriental	227
Abreeza	Davao City, Davao del Sur	6		
	Cagayan de Oro, Misamis			
Centrio	Oriental	3		

Description of Property

December 31, 2021 Land Bank:		
12,483	6,381	6,102

Leased Properties

ALI has an existing contract with the Bases Conversion and Development Authority ("BCDA") to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 sqm on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers twenty-five (25) years, renewable for another twenty-five (25) years, subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

On January 28, 2011, a notice was given to ALI, that as the bidder with the highest responsive bid, it has been awarded the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. ALI signed a 25-year lease contract for the property on June 22, 2011, with an option to renew for another 25 years by mutual agreement of the parties. Subsequently, in 2015, ALI assigned the lease to AyalaLand Metro North, Inc. (AMNI). As of date, the retail establishment has a gross leasable area of approximately 63,000 sqm of available gross leasable area and a combination of headquarter-and-BPO-type buildings with an estimated 8,000 sqm of office space. As of the date of the Offer Supplement, the average annual rental amounts to ₱184.0 million which averages about 35% of gross revenues for the past eight (8) years.

Rental Properties

The Company's properties for lease are largely shopping centers, office buildings and hotels and resorts. As of December 31, 2021, rental revenues from these properties amounted to ₱20.6 billion equivalent to 20% of consolidated revenues. This is 6% lower than ₱21.9 billion recorded in 2020. Lease terms vary depending on the type of property and tenant.

Property Acquisitions

With 12,483 hectares in its land bank as of December 31, 2021, ALI believes that it has sufficient properties for development in the next twenty-five (25) years.

While ALI is not currently engaged in any negotiations involving property acquisition, it continues to seek new opportunities for additional, large-scale, mixed-used and sustainable estates which serve as platforms for ALI's property development and commercial leasing projects, in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies in Luzon, Visayas and Mindanao with progressive economies that offer attractive potential and where projected value appreciation will be fastest. ALI estimates the aggregate costs of acquisition per year to be between ₱10.0 to ₱15.0 billion, depending on the opportunities that may arise and negotiations with third parties. This will be funded by combination of internally generated funds and/or other credit facilities available to the group which may include bank borrowings, as the Issuer may consider commercially favorable at the relevant time.

Mortgage, Lien or Encumbrance Over Properties

ALI has certain properties in Makati City that are mortgaged with BPI in compliance with BSP rules on directors, officers, stockholders and related interests, and affiliates.

MWC

The Manila Water Group has various properties across the Philippines which are generally used in its provision of water, integrated used water, sewerage and sanitation, distribution services, pipeworks, engineering, procurement, and management services. The Manila Water Group's properties are either

Description of Property

company-owned or are required to be turned over to grantors of the Group's concession agreements or joint venture agreements.

Property, Plant and Equipment

Major property, plant and equipment of the Manila Water Group are as follows:

Locations	Types of Assets
Metro Manila	Water service connection
Bataan	Water network
Batangas	Wells and facilities
Bicol	Distribution reservoir and boosters
Bulacan	Transmission and distribution mainline
Cavite	Sewer facilities
Laguna	Sewer network
Nueva Ecija	
Pampanga	
Quezon	
Rizal	
Cebu	
Iloilo	
Negros Occidental	
Davao	

Further details of the Manila Water Group's property, plant and equipment are in Note 9 of Manila Water Group's Audited Consolidated Financial Statements.

Service Concession Assets

The Manila Water Group accounts for its concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD, and BuWD; JVAs with PAGWAD, TnWD, LWD, and CCWD; and SMA with CIWD under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Group's concession arrangements, the Group is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall transfer to MWSS, PGL, TIEZA, CDC, OWD, CWD, BuWD, PAGWAD, TnWD, LWD, CCWD, and CIWD (under the SMA) at the end of the concession period.

During the construction phase of the arrangements, the Manila Water Group's contract asset (representing its accumulating right to be paid for rehabilitation works) is presented as part of "Service concession assets" ("SCA") for Intangible Asset model which is disclosed in Note 10 of Manila Water Group's Audited Consolidated Financial Statements. The SCA also include the present value of the service concession obligations assumed by Manila Water at drawdown date and other local component costs and cost overruns paid by the Manila Water Group, as well as additional costs of rehabilitation works incurred.

Assets Held in Trust under the Group's Concession or Joint Venture Agreements

MWSS

Manila Water was granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Concession Agreement. The legal title to all movable property in existence at the Commencement Date, however, shall be retained by MWSS and upon expiration of the useful life of any such movable property as may be determined by Manila Water, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or Manila Water.

The Concession Agreement also provides for the Concessionaires to have equal access to MWSS facilities involved in the provision of water supply and sewerage services in both the East and West

Description of Property

Zones including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

PGL

Laguna Water was granted the right to manage, occupy, operate, repair, maintain, decommission and refurbish the property required to provide water services under its concession agreement with PGL. The legal title of all property in existence at the commencement date shall be retained by PGL. Upon expiration of the useful life of any such property as may be determined by Laguna Water, such property shall be returned to PGL in its then condition at no charge to PGL or Laguna Water.

TIEZA

Boracay Water was granted the right to operate, maintain in good working order, repair, decommission and refurbish all fixed and movable property (except retained assets) required to provide the water and sewerage services under its concession agreement with TIEZA. The legal title to all these assets in existence at the commencement date, however, shall be retained by TIEZA and upon expiration of the useful life of such assets as may be determined by Boracay Water, such assets shall be returned to TIEZA in its then-current condition at no charge to TIEZA or Boracay Water.

CDC

Clark Water was granted the right to finance, design and construct new facilities and to manage, exclusively possess, occupy, operate, repair, maintain, decommission, and refurbish all facilities, except private deep wells, to provide and manage the water and wastewater-related services in the CFZ.

OWD

On October 12, 2017, Obando Water was granted the right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Obando. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Obando Water, shall remain with OWD.

CWD

On October 23, 2017, Calasiao Water was granted the right to develop, manage, operate, maintain, repair, refurbish and improve, expand, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Calasiao. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Calasiao Water, shall remain with CWD.

PAGWAD

On January 21, 2019, Laguna Water was granted the right to operate, finance, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required and exclusively used to provide water delivery and sanitation services in the service area of PAGWAD.

TnWD

On February 4, 2019, South Luzon Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of TnWD.

Description of Property

BuWD

On June 14, 2019, Bulakan Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the service area of BuWD.

LWD

On July 3, 2019, Aqua Centro was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply in the service area of LWD.

CCWD

On July 3, 2019, Calbayog Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of CCWD.

Additional details on the Manila Water Group's assets held in trust are disclosed in Note 25 of Manila Water Group's Audited Consolidated Financial Statements.

Leases

The Manila Water Group leases office space, storage and plant facilities, land and right-of-way wherein it is the lessee. The Group's leases are disclosed in Note 11 of Manila Water Group's Audited Consolidated Financial Statements.

IMI

IMI has production facilities in the Philippines (Laguna and Cebu), China (Shenzhen, Jiaxing, Chengdu, and Suzhou), Bulgaria, Czech Republic, Germany, Mexico and the UK. It also has a prototyping and NPI facility located in Tustin, California. Engineering and design centers, on the other hand, are located in the Philippines, Singapore, China, United States, Bulgaria, Czech Republic, and Germany. IMI also has a global network of sales and logistics offices in Asia, North America and Europe.

IMI's global facilities and capabilities of each location as of December 31, 2021 are shown as follows:

LOCATION	FLOOR AREA (square meters)	CAPABILITIES
Manufacturing Sites		
Philippines - Laguna (2 sites)	107,942	- 31 smt lines 2 FC lines - 5 COB / COF lines - Box build to Complex Equipment Manufacturing - LVHM, HVLM - Solder Wave, Potting, AI & AG W/B - Protective Coating - ICT, FCT, AOI, RF Testing - Design & Development - Test & System Development - Cleanroom to class 100 - Low Pressure Molding (Overmold) - Precision Metals / Machining - Power Component Discrete Packaging e.g. 2L,3L,4L TO-247, 3L TO252 2L 3L TO-220 - Silicon Carbide and Gallium Nitride Packaging - Ag Sintering Process

Description of Property

LOCATION	FLOOR AREA (square meters)	CAPABILITIES
		- Diversified Packaging - from Low to High Power and Small to Large Outline - R & D line / Captive Lines for Power QFN and Modules - Customized Power Packaging Requirements - Low / Med Power Discrete Packaging and Processes including Au Wire Bonding - AI Ribbon, CU Clip interconnect - 3D Packaging, MCM, High Reliability OFN Packages: 3 x 3 mm, 3.3 x 3.3 mm 4x5 mm, 5x6 mm, 6x5 mm 8x8 mm at 1 mm to 1.5 mm package height
China - Pingshan	29,340	- 7 SMT lines - Box Build - PTH, POP, Auto Pin Insertion, Solder Wave, SMT, Backend line, Final Assembly - POP, Auto Pin insertion - Potting, Conformal coating and Burn-in - ICT, FCT, 3D AOI, RF Testing, 3D X-ray - Test & System Development - Design & Development - LVHM, HVLM - Sourcing, Procurement and Material Purchasing - Logistics - Regional support
China - Kuichiong	23,524	- 17 SMT lines - Box Build - PTH, Auto Pin insertion, Solder Wave - ICT, FCT, AOI, RF Testing - Test & System Development - LVHM, HVLM - X-RAY 3D testing RoHS screening instrument, BGA rework - Burn-in test for high- end power supply. Thermal cycle test, Vibration test - Conformal Coating Potting, PCB router, underfill - Bar-code tracking system
China - Jiaying	18,452	- 12 SMT lines - Vapor Phase Vacuum Reflow, SMD Odd shape Component Auto Mount - Box Build (w/ Automated Customized Assembly Line) - PTH, Auto Pin insertion, Solder Wave, Selective Solder Wave - Full Auto Selective Conformal Coating Line and CC AOI - Ultrasonic welding and lamination - Plastic injection (180T/300T press) - SPI, 2D & 3D AOI, ICT, FCT, 3D X-Ray, Run-in - Test & System Development - HVLM

Description of Property

LOCATION	FLOOR AREA (square meters)	CAPABILITIES
China - Chengdu	7,500	- 3 SMT lines - Box Build - PTH, Auto Pin insertion, BGA, X - Ray - Solder Wave - Automated Conformal Coating - ICT, FCT, AOI - HVLM / LVHM - Test Development
USA-Tustin, CA*	1,184	- Global AME (Advance Manufacturing Engineering) - Engineering and Process Development - Prototype Manufacturing Center - NPI (New Product Introduction) - Precision Assembly - 2 SMT Prototyping Lines - SMT, DCA (COB, Flip Chip), THT - Box Build - Low Volume Production
Botevgrad, Bulgaria (1 site) Sofia, Bulgaria (1 site) Nis, Serbia (1 site)	115,416 50,213	- Bulgaria - 25 SMT lines - Serbia - 5 SMT lines - Box Build - PCB Assembly and Testing - Design and Development - Box Build (Manual/Semi/Automatic) - Metrology and Laboratory - 3D X-ray (CT) - Full automation without touching the PCBA during the whole manufacturing process (In-Line Laser; SMT; Automatic Pin Insertion; In-Line ICT; Routing; Auto manipulator of PCBA to trays; Automatic box build – PCBA/Top/Bottom cover; In-Line FCT Testing; Auto labeling; camera controls) - Solder Wave, Selective Soldering, Manual Soldering - Potting, Coating, Glue Dispensing - 3D AOI, 3D SPI, ICT; FCT; RF Testing - Full traceability including interlocking
El Salto, Guadalajara Mexico (2 sites)	25,600	- 9 SMT lines - 43 Plastic Injection Machines (50-1,600T) including overmolding - Box Build (w/ Automated Customized Assembly Line) - PTH, Solder Wave, Selective Solder Wave - Full Auto Selective Conformal Coating Line and CC AOI, Automated potting - SPI, 2D & 3D AOI, ICT, FCT, 3D X-Ray - Embedded Toolshop - Test & System Development
Tremosna, Pizenska Czech Republic	7,470	- 6 SMT lines - 2 Pin insertion - 3 Wave soldering - 2 Selective soldering - 3 Selective coating - ICT, FCT, AOI (SMT, CC) - Mechanical Assembly - 4 Automated line - Further customized assembly line

Description of Property

LOCATION	FLOOR AREA (square meters)	CAPABILITIES
Nuremberg, Germany (VIA) VIA optronics GmbH	4,268	- VIA bond plus qualification - Bonding material development - Manual line, mainly lower quantity projects - Prototype 84 inch - 2 clear rooms (ISO class 6 & ISO class 7) - ESD control - Engineering, prototyping and production process improvement - Test & System development (electrical) - Optical test labor (mainly for display evaluation)
Suzhou, China (VIA) VIA optronics Suzhou	9,750	- Semi autoline and full autoline - Large size bonding in MaxVu II - Touch capabilities, ACF process - Curved bonding & bonding to plastic cover
Shiga, Japan (VIA) VTS - Touchsensor Co., Ltd.	10,000	- Metal Mesh Sensor on roll - Customized design - 100um.50um Film thickness - Up to 55" VTS internal - Up to 85" through external partners
UK-Hook (STI)	5,770	- 3 high-speed ASM Siplace SMT Lines (2.4m components/day) - High Reliability PCB Assembly & Box Build - Full Test Facilities - Dedicated prototype facility with 2 flexible Mydata lines - Special processes & full repair and rework facility - Clean Room, NPI, RF Screened Room
UK- Poynton (STI)	6,187	- Manufacturer of highly secure satellite communications equipment (under long term Airbuss DS contract) - Manufacturer of specialist amplifiers - Specialist spares and repairs - Full rack wiring and integration - Specialist test facility - RF Testing, Anechoic Chamber, EMC Chamber & Moog 6 Degree of Freedom Motion Bed - Complex Wiring & Heavy Metalwork - Advanced Box Build - AS9100-D
Cebu, Philippines (STI)	2,601	- 3 high-speed placements (6m components/day capacity) - High volume PCB Assembly and Box Build - Equipment and operational standards fully compatible with Hook manufacturing site - IP protection and full traceability guaranteed
Total Manufacturing Space	425,217	
Sales and Marketing Support		
Hong Kong*	300	Procurement, marketing and supply chain support
Japan	110	Sales Support
Total Support Space	410	
Total	425,627	

Description of Property

BPI

In view of the planned re-development of the BPI Head Office building located at 6768 Ayala Avenue, Makati City, BPI's executive office and select business and support units have relocated to the Ayala North Exchange Tower 1, Ayala Avenue corner Salcedo St., Legaspi Village, Makati City and BPI Buendia Center, located at Sen. Gil J. Puyat Avenue, Makati City. The remaining business and support units have also relocated to various other sites in Makati, San Juan, Quezon City, and Muntinlupa. Meanwhile, BFSB's Head Office remains located at BFB Center, Paseo De Roxas, corner Dela Rosa St., Makati City.

The rest of the business and support units have also temporarily relocated to BPI Buendia Center and various other sites in Makati, San Juan, Quezon City, and Muntinlupa.

Of BPI's 869 local branches (excluding BanKo), 707 operate as BPI branches: 360 in Metro Manila/Greater Metro Manila Area and 347 in the provincial area. BPI owns 28% of these branches, and leases the 72%. On January 1, 2019, the Bank adopted PFRS 16: Leases which requires recognition of both right-of-use assets and lease liability arising from long-term leases. As of December 31, 2021, right-of-use assets and lease liabilities amounted to ₱6,631 million and ₱7,326 million, respectively.

BFSB's Head Office is located at BFB Center, Paseo De Roxas, corner Dela Rosa St., Makati City. It operates 162 branches of which 19% are bank owned while 81% are leased.

These offices and branches are maintained in good condition for the benefit of both the employees and the transacting public. The Bank enforces standards for branch facade, layout, number and types of equipment and upkeep of the premises. As it adjusts to the needs of its customers, the Bank also continuously reconfigures the mix of its traditional branches, kiosk branches, and branch-lite units, while complemented by its digital channels.

To date, BPI has not identified any property to acquire.

All of the bank-owned properties are free from any lien.

Globe

Buildings and Leasehold Improvements

Globe Telecom's Corporate Office is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig.

Globe also owns several floors of condominium corporation Pioneer Highlands Towers 1 and 2, located at Pioneer Street in Mandaluyong City. In addition, the Company also owns host exchanges in the following areas: Bacoar, Batangas, Ermita, Iligan, Makati, Mandaluyong, Marikina, Cubao-Aurora, among others.

The Company leases office spaces in W City Center, located at 7th Avenue corner 30th Street, Bonifacio Global City, Taguig, for its Network Technical Group and its affiliates, AdSpark Inc. and Globe Fintech Innovations Inc. It also leases office spaces in Limketkai Gateway Tower located in Cagayan de Oro City and in Abreeza Technohub located in Davao City. It also leases the space for most of its Globe Stores, as well as the Company's base stations and cell sites scattered throughout the Philippines.

Globe's existing business centers and cell sites located in strategic locations all over the country are generally in good condition and are covered by specific lease agreements with various lease payments, expiration periods and renewal options. As the Company continues to expand its network, Globe intends to lease more spaces for additional cell sites, stores, and support facilities with lease agreements, payments, expiration periods and renewal options that are undeterminable at this time.

Description of Property

Telecommunications Equipment

As of end December 2021, Globe has a nationwide 2G, 3G, 4G-LTE providing nationwide voice, SMS and mobile broadband services. In addition, Globe has also launched 5G which provides fixed wireless broadband services & mobile broadband in selected areas.

Globe's wireless network has a Circuit Switched Core Network to provide voice service via 2G, 3G and 4G (using Circuit Switch Fallback). In addition, it has a nationwide network of Packet Switches to support its mobile broadband data services. Globe's wireless core network also includes an IP Multimedia Subsystem ("IMS") for its VoLTE service which was commercially launched in 2020. The rest of Globe's nationwide core network includes Home Location Register / Home Subscriber Server ("HLR/HSS"), Signaling Gateways, and mobile broadband backend equipment. It also utilizes a number of Short Messaging Service Centers, and other Value Added Services application platforms to cater of Globe's rich portfolio of Value Added Service which includes an Emergency Cell Broadcast Messaging system to provide for emergency alert messaging in compliance to Republic Act 10639 other known as "An Act Mandating the Telecommunications Service Providers to Send Free Mobile Alerts in the Event of Natural and Man-Made Disasters and Calamities".

The infrastructure for Innove's fixed telephone service includes a Nationwide Virtual IP Multimedia System ("vIMS") infrastructure, the first of its kind implemented for domestic Fixed telephone service in the Philippines and an advanced Next Generation Network ("NGN") International Gateway Facility that supports both traditional international long distance calls and international Voice Over IP Service. For Fixed Broadband service, Globe leverages a combination of copper (ADSL, VDSL 35B), fiber ("FTTx") technologies as well as fixed wireless broadband technologies based on massive MIMO 4G-LTE and 5G.

As part of its continuous network modernization program, Globe has also introduced Software Defined Network and Network Function Virtualization ("NFV") technologies in the core network layer of its network. Network function virtualization leverages on commercial off-the-shelf hardware and the capabilities of cloud computing thus providing flexibility in deployment, capacity efficiency, better scalability, resiliency and ultimately lower total cost of ownership for Globe's network. As part of the deployment of SDN-NFV, Globe has deployed, in both its wireless and fixed broadband core network virtualized network elements including virtual unified service nodes ("vUSN"), and virtual unified packet gateways ("vUGW") and virtual Home Subscriber Services ("vHSS") node which stores and manages identities, authentication data, subscription information, and location information about Globe's subscribers. At the same time, Globe's 5G services utilizes a virtual 5G core network to deliver both Fixed Wireless Broadband and mobile broadband service in areas where fiber deployment is challenged by various permit and right of way issues.

Globe also has a national transmission network Globe established, operates and maintains two georedundant and complementary Fiber Optic Backbone Network ("FOBN") linking the Luzon, Visayas and Mindanao island groups. These two FOBNs are now the primary national transmission backbone for Globe backbone to support all of the different telecommunication services and Value Added Service offered by Globe to its customers. In addition to these two FOBNs, Globe also operates and maintains a fiber optic backbone linking the island of Luzon to the province of Palawan. Complementing this fiber optic backbones are Digital Microwave ("MW") Terrestrial network employing Next Generation Internet Protocol ("IP") MW supplemented by an extensive fiber optic networks in the key urban areas. To serve very remote rural areas, Globe also leverages on Very Small Aperture Satellite ("VSAT") technology to deliver 2G, 3G and LTE services.

Investments in Cable Systems

To provide resiliency and geographic diversity, Globe Group has also invested in several submarine cable systems, which the Company either owns or has rights of use on, a share of the systems' total capacity. Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under Construction & Maintenance Agreements; or indefeasible rights of use (IRUs) under Capacity Purchase Agreements.

To date, Globe has investments in the following cable systems (shown below with their major connectivity paths):

Description of Property

- a) APCN2 – Asia Pacific Cable Network-2 (Trans-Asian region);
- b) C2C – City-to-City (Trans-Asian region);
- c) SEA-ME-WE3 – Southeast Asia-Middle East-Western Europe 3;
- d) SJC – Southeast Asia Japan Cable System – connects Singapore, Brunei, Hong Kong, China Mainland, Japan and the Philippines;
- e) TGN-IA – Tata Global Network–Intra Asia cable system - connects the Philippines to Japan, Hong Kong, and Singapore with onward connectivity via the TGN-P (Tata Global Network-Pacific) network to the United States; and
- f) SEA-US (Southeast Asia-United States) – connects Philippines, Indonesia, Guam, Hawaii and the mainland United States
- g) AAG – Asia-America Gateway – connects Singapore, Malaysia, Thailand, Vietnam, Brunei, Hong Kong, and Philippines to Guam, Hawaii and California (investment thru Globe's subsidiary Bayan Communications)

The Company opened its first international cable landing station located in Nasugbu, Batangas that directly accessed the C2C cable network, a 17,000-kilometer-long submarine cable network linking the Philippines to Hong Kong, Taiwan, China, Korea, Japan and Singapore. Globe had separately purchased capacity in the C2C cable network which it subsequently transferred to its subsidiary, Innove Communications, Inc.

Additionally, Globe has acquired capacities, either through lease or IRU, in selected cable systems where the Company is not a consortium member or a private cable partner. These include capacities in East Asia Crossing ("EAC").

On March 17, 2009, Globe formally opened its second international cable landing station in Ballesteros, Cagayan with the Company being the exclusive landing party in the Philippines to the Tata Global Network – Intra Asia (TGN-IA) cable system. TGN-IA is a 6,700 kilometer trans-Asian submarine cable system that links the Ballesteros, Cagayan cable landing station in the Philippines to Japan, Hong Kong, and Singapore with onward connectivity via the TGN-Pacific network to Guam and the United States.

On September 30, 2013, the Southeast Asia-Japan Cable ("SJC") System was formally launched where Globe is the exclusive landing party in the Philippines. At the time, the SJC System was one of the highest capacity systems in the world (supporting an initial design capacity of 28 terabits per second, the fastest speed an undersea cable system can provide). This enhanced the Company's global links to support businesses and consumers' increasing demand for high-speed internet and connectivity., Globe joined some of the biggest names in the industry including Unified National Networks Sdn Bhd. (UNN, formerly Brunei International Gateway Sendirian Berhad) of Brunei, Google Singapore, SingTel, KDDI, PT Telekomunikasi Indonesia International (Telin), China Mobile, China Telecom, China Telecom Global Limited (an affiliate of China Telecom), Donghwa Telecom Co., Ltd., and National Telecom Public Company Limited (NT, formerly TOT) of Thailand, in this consortium.

In August 2014, Globe Group joined a consortium of international telecommunications companies to build a \$250 million cable system directly connecting Southeast Asia and the United States, the SEA-US. Completed in August 2017, the SEA-US undersea cable system provides superior latency, delivering an additional 20 terabits per second capacity, utilizing the latest 100 gigabits per second transmission equipment. Such additional capacity will cater to the exponential growth of bandwidth between the two continents. The SEA-US cable system is connected to the Globe cable landing station in Brgy. Talomo, Davao City which also houses the Power Feed Equipment necessary to run the system. Outside of Luzon, the undersea cable is the first direct connection of Globe to the United States via Guam, Hawaii, and California, offering faster transmission of data to the U.S.

Capital Expenditures

Globe spent a total of ₱92.8 billion for capital expenditures as at December 31, 2021, which were funded by borrowings and cash flow from operations.

Description of Property

ACEIC

Properties

AC Energy and Infrastructure Corporation (ACEIC) and its subsidiaries own the following fixed assets as of 31 December 2021:

Properties	Location	Amount (in thousand Pesos)
Land and land improvements	Bacnotan, La Union/ Norzagaray, Bulacan/ San Lorenzo, Guimaras/ Manapla/ Calaca, Batangas/ Bangui, Ilocos Norte/ Palauig, Zambales/ Negros Occidental/ Botolan, Zambales	1,975,133
Buildings and improvements	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Calaca, Batangas/ San Carlos, Negros Occidental	7,081,207
Machinery and equipment	Guimaras/ Norzagaray, Bulacan/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental/ Ilocos Norte/ Lanao Del Norte/ Olongapo City/ Iloilo/ Bais City, Negros Oriental/ Alaminos, Pangasinan/ Alaminos, Laguna/ Palauig, Zambales/ Mariveles, Bataan	32,005,479
Transportation equipment	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Bacnotan, La Union/ Pililia, Rizal/ San Carlos, Negros Occidental	183,291
Tools and other miscellaneous assets	Makati City/ Guimaras/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental	856,904
Office furniture, equipment and others	Makati City/ Guimaras/ Bacnotan, La Union/ Norzagaray, Bulacan/ Calaca, Batangas/ San Carlos, Negros Occidental	241,221
Construction in progress	Calaca, Batangas/ Alaminos, Laguna/ Pililia, Rizal/ Palauig, Zambales	4,663,301
Total		47,006,536
Less: Accumulated depreciation, amortization and impairment		6,861,751
Net		40,144,785

Source: Audited consolidated financial statements as of 31 December 2021

In 2021, the Group invested significant capital expenditures related to the following projects:

- ₱1,186.19 million for its 160 MW Balaoi and Caunayan wind power project in Pagudpud, Ilocos Norte through its subsidiary, Bayog Wind Power Corp.;
- ₱963.49 million for its 40-MW battery energy storage system (BESS) project in Alaminos, Pangasinan through its subsidiary, Giga Ace 4;
- ₱572.02 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary, SolarAce1 Energy Corp. (SolarAce1);
- ₱408.61 million for its 60 MW solar power project in Palauig, Zambales through its subsidiary, Gigasol 3, Inc.;
- ₱158.10 million for its 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project in Mariveles Bataan through its subsidiary, Bataan Solar Energy, Inc. (BSEI);
- ₱109.91 million for its purchase of parcels of land located at Barrio Poonbato, Botolan, Zambales through its subsidiary, Buendia Christina Holdings Cor. (BCHC); and,
- ₱68.84 million for its purchase of generator rotor for its Unit 2 122 MW thermal plant in Calaca, Batangas through its subsidiary, South Luzon Therma Energy Corporation (SLTEC).

Description of Property

Land and land improvements include lots in Norzagaray, Bulacan, and Bacnotan, La Union where the power plants are located. In the Guimaras Wind Farm, most parcels of land acquired in 2019 approximate to 605,800 sqm. but some lots were entered as finance lease. Also included in land and land improvements are the 33.7-hectare land in Barangay Puting Bato and Sinisian, Calaca, Batangas owned by SLTEC, the 63.8-hectare land in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental owned by Manapla Sun Power Development Corporation, the 25.3-hectare land located in Barangay Baruyen, Bangui and Laoag City owned by NorthWind, and the 64.217-hectare land in Barangay Salaza, Palauig, Zambales as part of the ACEIC Philippine Transaction.

In 2020, AC Energy Corporation (ACEN) purchased 100% of PINAI fund's ownership interest through step acquisition in Negros Island Solar Power, Inc. (ISLASOL) and San Carlos Solar Energy, Inc. (SACASOL). SACASOL and ISLASOL own and operate the 45MW and 80MW solar farms in San Carlos, Negros Occidental, respectively. The Group acquired ownership to an approximate area of 673,422 sqm. in San Carlos, Negros Occidental from the step acquisition but some of these lots are subject of lease agreements.

In 2021, investment properties amounting to ₱438.38 million were reclassified to property, plant and equipment as the properties were being used by the ACEN's subsidiaries, Sta Cruz Solar Energy, Inc., Giga Ace 9, Inc., and SolarAce2 Energy Corp. in the ongoing construction of power plant facilities. As at December 31, 2021, the remaining balance in investment properties pertains to BCHC's land amounting to ₱13.08 million.

In 2021 and 2020, BCHC purchased a 1.92-hectare land located in Botolan, Zambales and a 1.79-hectare land located in Binugao, Toril, Davao City. These are classified as investment properties as these will be held for the potential use of Joint Venture-Special Purpose Vehicle projects in building and operating power plants.

Buildings and improvements are located in the respective power plants and its offices.

Lease Commitments

One Subic Power Generation Corporation's (One Subic Power) Facilities Lease Agreement ("FLA") with SBMA

One Subic Power has a lease contract with SBMA for a parcel of land and electric generating plant and facilities. The lease was originally entered on July 20, 2010 and was valid for five years. The agreement was amended on October 24, 2012 to extend the term of the lease to July 19, 2020 with an option to renew for another five years. On December 21, 2017, SBMA informed One Subic Power that its BOD has approved the amendments of the FLA extending the lease term until July 19, 2030. On April 3, 2018, the third amendments were signed and approved.

Guimaras Wind Corporation's (Guimaras Wind) Lease Agreement with Various Land Owners

Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are retained with the land-owners. These leases are classified as operating leases and have terms of twenty (20) to twenty-five (25) years. Guimaras Wind has also entered into various easements and right of way agreements for the Guimaras Wind Farm that will connect to the grid. These agreements convey to Guimaras Wind the right to control the use of the utility of the asset.

Easements and Right of Way Agreements

In 2014, Guimaras Wind also entered into various easements and right of way agreements with landowners in Guimaras for the erection of transmission lines that will connect the SLWP to the grid. One-off payments made by Guimaras Wind to various landowners to cover the 25-year easement and right of way agreements were recognized as prepaid rent in the consolidated statements of financial position and amortized over the term of the lease. The amortization of the lease during the construction period was capitalized as part of the cost of the wind farm.

ACEN's Agreement on Assignment of Contract of Lease

On November 20, 2019, ACEIC, ACEN, Ayala Land, Inc. (ALI) and AyalaLand Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking

Description of Property

slots effective September 1, 2019 to ACEN. The lease is until May 31, 2022. The lease is at a fixed monthly rate of ₱0.83 million and ₱0.01 million for the office unit and parking slots, respectively, with an escalation rate of 5% every year, beginning on the second year.

SLTEC's Contract of Lease for Office Space

On December 19, 2019, SLTEC notified the lessor of their intent to pre-terminate their office lease contract effective March 31, 2020. Due to government restrictions in relation to COVID-19, on March 27, 2020, SLTEC notified the lessor of its inability and impossibility to vacate by March 31, 2020, and the parties agreed to terminate the lease effective May 31, 2020. SLTEC remeasured the lease liability and right-of-use asset as a result of the termination of the contract.

SACASOL's Contract of Lease for Land Phases 1A & 1B

On March 7, 2014, SACASOL entered into a lease agreement with San Julio Realty, Inc. (SJRI) for the lease of thirty-five (35) hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of the Phase 1A and Phase 1B solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area delineated for Phase 1A for a period of twenty-five (25) years. The area delineated for Phase 1B shall be held for the remaining term of the agreement upon the receipt of notice by SACASOL.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period, respectively. The lease modification did not result in a separate lease.

SACASOL's Contract of Lease for Land - Phases 1C and 1D

On October 21, 2014, SACASOL entered into a lease agreement with SJRI for the lease of 32.4214 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of Phases 1C and 1D solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area for a period of twenty-five (25) years.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period. The lease modification did not result in a separate lease.

ISLASOL's Contract of Lease for Land - Phases 2A & 2B

Part of ISLASOL's acquisition of certain solar power plant projects from SACASOL is the lease agreement between SACASOL and Roberto J. Cuenca, Sr. (the Lessor) for the La Carlota A Project. The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on June 5, 2014 as site for the construction and operations of Phases 2A and 2B solar power plant projects of ISLASOL. Upon issuance of the NTP to the contractor, ISLASOL shall hold the land area delineated for a period of twenty-five (25) years therefrom.

ISLASOL's Contract of Lease for Land - Phase 3

On September 1, 2015, ISLASOL entered into a lease agreement with MSPDC (the Lessor) for the lease of approximately 638,193 sq.m. of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental. The term of the lease shall be for a period of twenty-five (25) years upon written notice served upon the Lessor by ISLASOL not earlier than one (1) year but not later than 3 months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties 3 months before the expiration of the original period of lease. ISLASOL has the sole option to extend the term of the lease.

Monte Solar Energy, Inc.'s (MONTESOL) Contract of Lease for Land

On September 2, 2015, MONTESOL entered into a lease agreement with Montenegro Brothers Agricultural Corporation for 21.45 hectares of land located in Barrio Alanginlanan, Bais, Negros Oriental as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of twenty-five (25) years, with a monthly rental payment of ₱7.00 per square meter, exclusive of VAT, and subject to annual adjustment based on actual inflation rate covering subject period as published/ pronounced by the National Economic Development Authority or an equivalent agency. The

Description of Property

period of lease may be extended, under the same terms and conditions, at the sole discretion of MONTESOL for up to another twenty-five (25) years.

SolarAce1's Contract of Lease for Land

On September 30, 2019, SolarAce1 Energy Corp. ("SolarAce1") entered into a lease agreement with ALL, Crimson Field Enterprises Inc., and Red Creek Properties Inc., for 106.59 hectares of land located in Barangay San Andres, Alaminos, Laguna as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of twenty-one (21) years, with a monthly rental payment of ₱15.45 per square meter, exclusive of VAT. The rental fee shall be subject to annual adjustment of whichever is higher between 3% per annum and the rate of increase of real property tax where the property is located. The period of lease may be extended, under the same terms and conditions, at the sole discretion of SolarAce1 for up to another twenty-one (21) years.

NorthWind Power Development Corporation's (NorthWind) Contract of Lease for Rental of Office Space

In August 2017, NorthWind's Metro Manila Administrative Office transferred to Makati. A new contract of lease was signed on September 18, 2017 with 6750 Ayala Avenue Joint Venture (AAJV) for a period of 5 years by North Luzon Renewable Energy Corp. (NLR), an affiliate of NorthWind.

An Agreement on the Assignment of Lease was signed between NLR and NorthWind on November 20, 2017. NLR assigned half of the lease premises of 123.8 sq. meters to NorthWind, with a monthly rental of ₱0.12 million subject to 5% annual escalation rate.

In January 2020, NorthWind assigned the contract of lease with 6750 AAJV to ACEN.

Ingrid's Contract of Lease for Land

In July 23, 2020 a Sublease Agreement was signed between Ingrid Power Holdings, Inc. and ACEIC. to sublease a land with Tabangao Realty Inc (TRI) for an approximately 41,781.86 square meters of land located in in Brgy. Malaya, Pililla, Rizal as a site to develop, operate and maintain a 150MW modular diesel engine power plant primarily intended for the provision of ancillary services to the National Grid Corporation of the Philippines. The term of the sublease shall be for a period of 6 years, with a monthly rental payment of ₱25.00 per square meter, exclusive of VAT, subject to 3% annual escalation rate. The period of lease may be extended, under the same terms and conditions to another 5 years.

BCHC's Contract of Lease for Land

In April 22, 2020 BCHC entered into a lease agreement with ACD Incorporated Inc. for 13.95 hectares of land located in Batangas II, Mariveles, Bataan as a site for the construction and operation of the Power Generating Facilities and its allied purposes. The term of the sublease shall be for a period of 25 years, with a monthly rental payment of ₱2.00 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BCHC for up to another 25 years.

On September 2, 2020, the property was subleased by BCHC to BSEI to develop, operate and maintain a 5MW RE Laboratory facility. The term of the sublease shall be for a period of 7 years, with a monthly rental payment of ₱2.10 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BSEI for up to another 25 years.

On November 20, 2020, an Agreement on the Deed of Assignment of Lease was signed between BCHC and ACEIC. ACEIC agreed to assign its rights and obligations for the land leased with Tabangao Realty Inc ("TRI") entered in March 23, 2018 for an approximately 177,774 square meters situated in Brgy. Malaya, Pililla, Rizal.

Tower 2 lease agreement with Ayala Land, Inc.

ACEIC and ACEN entered into an agreement with Ayala Land, Inc. (the Lessor) for lease of office units at 34th, 35th, and 36th floors of Ayala Triangle Gardens Two Building and 69 Appurtenant parking slots starting January 18, 2021 for a period of ten (10) years. The lease agreement provides for a 5% annual escalation rate for the rental payments.

LEGAL PROCEEDINGS

The following section discusses updates to Legal Proceedings after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled “Risk Factors” and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

Except as disclosed herein or in the Information Statements of Ayala’s material subsidiaries, material associates, and material joint ventures, which are themselves public companies or as has been otherwise publicly disclosed, there are no material pending legal proceedings for the past five years and the preceding years until December 31, 2021 to which Ayala or any of its material subsidiaries, material associates, and material joint ventures or its Directors or executive officers is a party or of which any of its material properties are subject in any court or administrative government agency.

AYALA CORPORATION

As of December 31, 2021, the Company is not involved in any litigation it considers material.

AYALA LAND, INC.

As of December 31, 2021, Ayala Land, Inc. (“ALI”), its subsidiaries, and its affiliates, are not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

However, there are certain litigations ALI is involved in which it considers material, and though the events giving rise to the said litigation occurred beyond the five (5) year period, the same are still unresolved. Please refer to page 359 of the Prospectus.

GLOBE TELECOM, INC.

As of December 31, 2021, Globe and its subsidiaries (the “Globe Group”) is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

Right of Innove to Render Services and Build Telecommunications Infrastructure in BGC

PLDT, Inc. (“PLDT”) and its affiliate, Bonifacio Communications Corporation (“BCC”) and Innove and Globe are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (“BGC”). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (“FBDC”), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove’s installations in the BGC.

On January 21, 2011, BCC and PLDT filed with the CA a Petition for Certiorari and Prohibition against the NTC, et al. seeking to annul the Order of the NTC dated October 28, 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and to cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. On April 25, 2011, Innove filed its comment on the Petition.

On August 16, 2011, the CA ruled that the petition against Innove and the NTC lacked merit, holding that neither BCC nor PLDT could claim the exclusive right to install telecommunications infrastructure and providing telecommunications services within the BGC. Thus, the CA denied the petition and dismissed the case. PLDT and BCC filed their motions for reconsideration thereto, which the CA denied.

On July 6, 2012, PLDT and BCC assailed the CA’s rulings via a petition for review on certiorari with the

Legal Proceedings

Supreme Court. Innove and Globe filed their comment on said petition on January 14, 2013, to which said petitioners filed their reply on May 21, 2013. On December 22, 2021, Innove filed its Memorandum with the Supreme Court in compliance with said Court's Resolution dated October 6, 2021.

Meanwhile, a complaint filed by PLDT against the NTC, with Innove as intervenor, to annul NTC MC No. 05-05-2002 on the ground of unconstitutionality awaits pre-trial proceedings in the RTC in Quezon City. In a Motion to Dismiss dated January 8, 2021, however, a copy of which was received by Innove on January 12, 2021, PLDT informed the trial court that "upon re-evaluation of intervening events since PLDT filed its complaint, it no longer intends to pursue its complaint and prays for its dismissal without prejudice." On December 20, 2021, the trial court granted PLDT's Motion to Dismiss the Complaint for Injunction and Nullification of NTC MC No. 05-05-2002 with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction.

In a case filed by BCC against FBDC, Globe, and Innove before the RTC in Taguig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a TRO and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On March 30, 2012, the RTC of Taguig, as prayed for, dismissed the complaint on the aforesaid grounds. On April 27, 2015, the trial court denied BCC's motion for reconsideration. Thereafter, on November 3, 2020, BCC filed a notice of appeal with said court. However, in a Notice of Withdrawal of Appeal dated January 7, 2021 which was received by Globe and Innove on January 12, 2021, BCC informed the trial court that it was no longer pursuing its appeal "after careful consideration of the intervening events since the filing of the Complaint" and asked that it be allowed to withdraw its appeal. The motion for withdrawal of appeal remains pending with the trial court.

BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2021, Bank of the Philippine Islands ("BPI") is a party to various legal proceedings, claims and tax assessments which arise in the ordinary course of its operations. None of such legal proceedings, claims and tax assessments, either individually or in the aggregate, are expected to have a material adverse effect on BPI and/or any of its subsidiaries, associates including its assets, in the performance of their operations and/or in the fulfillment of their contractual obligations and even in the context of the AC Bonds.

AC ENERGY AND INFRASTRUCTURE CORPORATION

As of December 31, 2021, AC ENERGY AND INFRASTRUCTURE CORPORATION ("ACEIC") believes that none of the legal proceedings to which the ACEIC Group, or any member of the ACEIC Group, is a party would materially and adversely affect its business. Neither ACEIC nor any member of the ACEIC Group is currently involved in any arbitration proceedings that may have, or have had, a material adverse effect on its financial condition and no such proceeding is pending or threatened.

To the best knowledge and/or information of ACEIC, the current directors and the executive officers are not presently or during the last five years, involved or have been involved in any material legal proceeding adversely affecting or involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere.

As used in this section, the term "ACEIC Group" shall refer to ACEIC and its subsidiaries, associates and joint ventures.

MANILA WATER COMPANY, INC.

As of January 31, 2021, MWC is a party to various legal proceedings arising in the ordinary course of its operations. Set forth below is a brief description of certain legal proceedings, which, if resolved unfavorably against MWC, could have a material and adverse impact on MWC's operations and financial results:

Manila Water Company, Inc. vs. The Republic of the Philippines In the Matter of the Notice of Arbitration to the Republic of the Philippines Arbitration under the United Nations Commission on International Trade Law ("UNCITRAL") Rules (1976) (PCA Case No. 2017-01)

Legal Proceedings

On April 23, 2015, MWC served on the Philippine Government, through the Department of Finance ("DOF"), its Notice of Claim of even date demanding that the Philippine Government indemnify MWC in accordance with the indemnity clauses in Government's Letter Undertaking dated July 31, 1997 and Letter Undertaking dated October 19, 2009.

On December 10, 2015, MWC filed a Notice of Arbitration with the Permanent Court of Arbitration ("PCA") against the Republic of the Philippines ("Republic") with respect to the Notice of Claim made on the Republic. The Notice of Claim was made under the Letter of Undertaking. In the Letter of Undertaking, the Republic, through the DOF, undertook to indemnify the Manila Waterworks and Sewerage System ("MWSS") against any loss caused by any action on the part of the Republic and/or the MWSS resulting in the reduction of the standard rates below the level that would otherwise be applicable in accordance with the Concession Agreement with MWC dated February 21, 1997 (the "Concession Agreement"), thereby denying MWC the rate of return allowed from time to time to operators of long term infrastructure concession agreement in other countries having a credit standing similar to the Philippines pursuant to Section 9.4 of the Concession Agreement.

In November 2019, the Arbitral Tribunal rendered an Award which ruled that MWC has a right to indemnification for actual losses suffered by it on account of the Republic's breach of its obligation. The Tribunal ordered the Republic to indemnify MWC the amount of ₱7.39 Billion, representing actual losses it suffered from June 1, 2015 until November 22, 2019, and to pay 100% of the amounts paid by MWC to the PCA and 85% of MWC's other claim costs.

In December 2019, MWC publicly disclosed that it will not collect the monetary claims adjudged by the Tribunal in its favor.

In March 2020, the Republic, through the Office of the Solicitor General, filed an application in the Singapore High Court to set aside the Award.

In a Consent Judgment dated May 4, 2021, the Singapore International Commercial Court issued a judgment setting aside the Award rendered by the Arbitral Tribunal in Permanent Court of Arbitration Case No. 2017-01.

Manila Water Company, Inc. and Maynilad Water Services, Inc. vs. Hon. Borbe, et al. (CBAA Case No. L-69)

This is an appeal from the denial by the Local Board of Assessment Appeals ("LBAA") of the Bulacan Province of MWC's (and Maynilad Water Services Inc. ("Maynilad")) appeal from the Notice of Assessment and Notice of Demand for Payment of Real Property Tax in the amount of ₱357,110,945 made by the Municipal Assessor of Norzagaray, Bulacan. MWC is being assessed for half of the amount.

In a letter dated April 3, 2008, the Municipal Treasurer of Norzagaray and the Provincial Treasurer of the Province of Bulacan, informed MWC and Maynilad (collectively, the "Concessionaires") that their total real property tax accountabilities have reached ₱648,777,944.60 as of December 31, 2007. This amount, if paid by the Concessionaires, will ultimately be charged to the customers as part of the water tariff rate. The Concessionaires (and the MWSS, which intervened as a party in the case) are thus contesting the legality of the tax on a number of grounds, including the fact that the properties subject of the assessment are owned by MWSS, which is both a government-owned and controlled corporation and an instrumentality of the Philippine Government exempt from taxation under the Local Government Code.

The Central Board of Assessment Appeals ("CBAA") conducted a hearing on June 25, 2009. In the said hearing, the parties were given the opportunity and time to exchange pleadings regarding a motion for reconsideration filed by the Municipality of Norzagaray, Bulacan to have the case remanded to and heard by the LBAA rather than by the CBAA.

MWC and Maynilad have already concluded presentation of their respective evidence and witnesses, while MWSS waived its right to present evidence.

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On August 12, 2015, the newly constituted members of the CBAA's Panel conducted an ocular inspection of the subject properties. On September 17, 2015, the Province of Bulacan presented its first witness, Ms. Gloria P. Sta. Maria, the former Municipal Assessor of Norzagaray, Bulacan. MWC, Maynilad and MWSS have completed their cross-examination of Ms. Sta. Maria.

In an Order dated July 15, 2016, the CBAA denied the motion for reconsideration of the Municipality of Norzagaray, Bulacan for which it filed a Petition for Certiorari with the Court of Tax Appeals ("CTA") on August 24, 2016. In compliance with the directive of the CTA, MWC filed a Comment dated January 3, 2017. MWSS and Maynilad have likewise filed their respective Comments.

On January 31, 2017, the CTA requested the parties to file their respective memoranda. MWC filed its Memorandum on March 27, 2017. Maynilad filed its Memorandum dated March 16, 2017 while the OSG filed its Memorandum last March 29, 2017.

On May 10, 2018, the CTA rendered a Decision denying the Petition for Certiorari finding that there was no grave abuse of discretion on the part of the CBAA.

In an Order dated June 17, 2021, the CTA ordered the remand of the records back to the CBAA for trial to resume.

To date, this case remains pending.

Manila Water Company, Inc. vs. The Regional Director, Environmental Management Bureau-National Capital Region, et al. (G.R. No. 206823)

This case arose from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau ("EMB") - National Capital Region ("NCR") before the Pollution Adjudication Board ("PAB") against MWC, Maynilad and the MWSS for alleged violation of the Clean Water Act, particularly the five-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On April 22, 2009, the PAB, through the Department of Energy and Natural Resources ("DENR") Secretary and Chair Jose L. Atienza, Jr., issued a Notice of Violation finding MWC, Maynilad and MWSS to have committed the aforesaid violation of the Philippine Clean Water Act of 2004 ("Clean Water Act"). Subsequently, a Technical Conference was scheduled on May 5, 2009. In the said Technical Conference, MWC, MWSS and Maynilad explained to the PAB their respective positions and it was established that DENR has a great role to play to compel people to connect to existing sewage lines and those that are yet to be established by MWC and Maynilad.

In addition to the explanations made by MWC during the Technical Conference, MWC together with MWSS and Maynilad wrote a letter dated May 25, 2009 and addressed to the respondent DENR Secretary where they outlined their position on the matter.

In response to the May 25, 2009 letter, the OIC Regional Director for NCR, the Regional Director of Region IV-A and the Regional Director of EMB Region III submitted their respective Comments. MWC thereafter submitted its letter dated July 13, 2009 to the PAB where it detailed its compliance with the provisions of the Clean Water Act and reiterated its position that the continuing compliance should be within the context of MWC's Concession Agreement with MWSS. Despite the explanations of MWC, the DENR Secretary issued an Order dated October 7, 2009 which found MWC, Maynilad and MWSS to have violated the Clean Water Act and imposed fines in the amount of ₱29,400,000 jointly and solidarily against MWC, Maynilad, and MWSS covering the period starting from May 7, 2009, the lapse of the 5th year from effectivity of the Clean Water Act, to September 30, 2009. In addition, the DENR Secretary imposed a fine of ₱200,000 per day against petitioners until such time that petitioners have fully complied with the Clean Water Act (Note: Under the Clean Water Act, the daily fine is subject to further 10% increase every 2 years). MWC filed its MR dated October 22, 2009 which the PAB denied in an Order dated December 2, 2009. Hence, MWC filed its Petition for Review dated December 21, 2009 with the CA. MWC thereafter filed an amended Petition for Review dated January 25, 2010.

Legal Proceedings

In a Decision dated August 14, 2012, the CA denied MWC's Petition for Review and on September 26, 2012, MWC filed a MR of the CA's Decision.

On April 29, 2013, MWC received the Resolution dated April 11, 2013 of the CA, denying its MR.

MWC has filed its appeal from the Decision and Resolution of the CA in the form of a Petition for Review on Certiorari with the SC on May 29, 2013. In this Petition, MWC reinforced its argument that it did not violate Section 8 of the Clean Water Act as it was able to connect existing sewage lines to available sewage facilities, contrary to the findings of the CA. This case was consolidated with other cases of similar nature that involved the MWSS and Maynilad. In compliance with the resolution of the SC dated April 4, 2017, MWC filed on June 5, 2017 a report on the status of its compliance with the Clean Water Act and its implementing regulations.

On September 17, 2019, MWC received the SC decision dated August 6, 2019 which ordered MWC, jointly and severally with MWSS, to pay ₱921.46 million (as of August 6, 2019) in fines for its non-compliance with the Clean Water Act. In addition to said amount, MWSS and MWC are jointly and severally liable to pay a fine in the amount of ₱322,102 per day subject to further 10% increase every two (2) years until full compliance with Section 8 of the Clean Water Act. On October 2, 2019, MWC timely filed a MR raising, among others, the following arguments: (a) MWC is compliant with its obligations and responsibilities under Section 8 of the Clean Water Act; (b) in *MMDA vs. Concerned Citizens of Manila Bay* (2011), the SC ruled that MWC had until 2037 to complete the obligations imposed by MWC's Concession Agreement; (c) Section 8 of the Clean Water Act cannot be interpreted as requiring MWSS and its concessionaires to install a complete centralized sewerage system within five (5) years; and (d) providing a complete centralized sewerage system within the 5-year timeframe would entail a substantial amount of time and money to complete, not to mention that it would monumentally exacerbate an already burdensome vehicular traffic situation in Metro Manila.

On October 2, 2019, MWC timely filed a Motion for Reconsideration raising, among others, the following arguments: (a) Manila Water is compliant with its obligations and responsibilities under Section 8 of the Clean Water Act; (b) in *MMDA vs. Concerned Citizens of Manila Bay* (2011), the SC ruled that concessionaires had until 2037 to complete the obligations imposed by the Concession Agreement; (c) Section 8 of the Clean Water Act cannot be interpreted as requiring MWSS and its concessionaires to install a complete centralized sewerage system within five (5) years; (d) providing a complete centralized sewerage system within the 5-year timeframe would entail a substantial amount of time and money to complete, not to mention that it would monumentally exacerbate an already burdensome traffic situation in Metro Manila.

On December 18, 2019, MWC received a copy of the Resolution dated November 5, 2019, which required the adverse parties to comment on the (a) Motion for Reconsideration filed by MWC; (b) Motion for Reconsideration dated October 2, 2019 filed by Maynilad; and (c) Motion for Reconsideration dated October 1, 2019 filed by MWSS.

On July 1, 2020, MWC received a copy of the *Consolidated Comment (On the separate Motions for Reconsideration filed by petitioners Metropolitan Waterworks and Sewerage System, Maynilad Water Services, Inc., and Manila Water Company, Inc.)* dated June 24, 2020 ("*Consolidated Comment*") filed by the OSG in behalf of the adverse parties. In response thereto, MWC filed a *Motion for Leave to File and Admit Attached Reply* dated August 17, 2020 ("*Motion for Leave and Admit Attached Reply*") with an attached *Reply [Re: Consolidated Comment (On the separate Motions for Reconsideration filed by petitioners Metropolitan Waterworks and Sewerage System, Maynilad Water Services, Inc., and Manila Water Company, Inc.) dated June 24, 2020]* dated August 17, 2020 ("*Reply*").

On November 3, 2020, MWC received a *Resolution* dated September 8, 2020 issued by the SC, which relevantly: (a) noted the *Consolidated Comment*; (b) granted the *Motion for Leave and Admit Attached Reply*; and (3) noted the *Reply* filed by MWC.

On January 26, 2022, MWC filed a Manifestation (Re: Developments relevant to the Motion for Reconsideration dated October 2, 2019) to inform the Supreme Court that MWC has been granted a legislative franchise which includes a provision that requires it to submit a "completion plan" for the establishment and operation of water, sewerage, and sanitation projects with the end goal of achieving

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one hundred percent (100%) water and combined sewerage and sanitation coverage over the MWC's concession area by 2037. The grant of the legislative franchise supports the position taken by MWC in its Motion for Reconsideration that the obligation under the Clean Water Act does not mandate the installation of a complete centralized sewerage system within five (5) years from the passage of the Clean Water Act.

To date, this case remains pending.

The Consolidated Cases in relation to the Concession Agreements

In 2013, several petitions for Certiorari and Mandamus with Prayer for the Issuance of a were filed before the SC by the Waterwatch Coalition, Inc. ("Waterwatch"), Water for All Refund Movement ("WARM") and Virginia S. Javier, et al. ("Javier" or consumers/customers of Manila Water). Subsequently, petitions for Certiorari and Prohibition were filed by the ABAKADA-Guro Party List, represented by Atty. Florante B. Legaspi, Jr. and the Bayan Muna Partylist, represented by Neri Colmenares and Carlos Isagani Zarate. Due to similarities in issues raised, these petitions were consolidated. The issues raised in these petitions are as follows:

- The Concession Agreements are unconstitutional for granting inherent sovereign powers to the Concessionaires without the benefit of legislation or at the very least, a franchise for such purpose;
- The Concessionaires are public utilities not mere agents or contractors of the MWSS;
- Concessionaires performing public service and are therefore, governed by the Public Service Law, and subject to the 12% rate of return cap;
- The Concession Agreements are State Contracts and cannot invoke the non-impairment clause in the Constitution;
- Public utility or not, Concessionaires may not, pass on their income taxes to the water consumers as expenditures; and
- Respondents should be enjoined from proceeding with arbitration between MWSS, MWC and Maynilad.

In its Comment to the petitions, MWC argued that:

- The Concession Agreements are valid, legal and constitutional as these have statutory basis and do not involve any grant or delegation of the "inherent sovereign powers of police power, eminent domain and taxation".
- The Concessionaires are not public utilities in themselves but are mere agents and contractors of a public utility (i.e., MWSS).
- The Concession Agreements are protected by the non-impairment clause. Petitioners cannot invoke police power for courts to nullify, modify, alter or supplant the Concession Agreements. Police power is exercised by Congress, through the enactment of laws for the general welfare. No such law or enactment is involved in this case.
- The rates set under the Concession Agreements are compliant with the 12% rate of return cap in the MWSS Charter.
- Not being public utilities but mere agents of the MWSS, the Concessionaires are not subject to audit by Commission on Audit.
- The Concessionaires are authorized to pass on corporate income taxes to water consumers.

On March 10, 2016, MWC received the Manifestation of the OSG requesting that the DOF and the OSG be excused from filing a Comment on the petitions in view of the pendency of the arbitration proceedings related to the Undertaking Letters.

In its Resolution dated March 15, 2016, the SC granted the Manifestation of the OSG and excused it from filing a Comment. On July 25, 2016, MWC filed its Manifestation and Motion, where MWC joined Maynilad in seeking a reconsideration of the SC's Resolution dated March 15, 2016 and moved to set the consolidated cases for oral arguments.

In a Resolution dated September 19, 2017, the SC denied Maynilad's MR. Maynilad again filed another MR dated November 6, 2017 to apprise the SC that in the interim, the arbitration between the

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Government and Maynilad had been resolved by the issuance of an award in favor of Maynilad. Thus, according to Maynilad, the OSG can no longer use said arbitration proceeding as an excuse from filing its comment. Last December 12, 2017, MWC filed a Manifestation and Comment in support of Maynilad's Motion.

In a Resolution dated March 6, 2018, the SC granted the MR dated November 6, 2017 filed by Maynilad and the Motion for Leave to File Manifestation and Comment dated December 12, 2017 by MWC.

On July 31, 2018, MWC received MWSS' Comment dated July 18, 2018 on the Petition.

On February 10, 2020, MWC received a Very Urgent Motion (to Set Case for Oral Arguments) dated 30 January 2020 filed by the OSG on behalf of the Department of Finance, praying that the cases be set for oral arguments. On the same date, MWC received a Notice dated January 7, 2020 from the SC requiring the parties to *move in the premises* "in view of the dropping by the concessionaires of their claims against the government arising from arbitration decisions."

On February 17, 2020, MWC filed its Omnibus Motion and Motion for Extension to the SC's Notice dated January 7, 2020. Thereafter, on February 26, 2020, MWC filed its Compliance/Manifestation and Compliance with Comment of even date clarifying that MWC's waiver of the Arbitral Award is limited to the enforcement and collection of the monetary claims thereon; and informing the SC of the ongoing review and renegotiation of the Concession Agreement with the government.

In a Resolution dated March 3, 2020, the SC directed the concessionaires to: (i) furnish the Secretary of Finance with copies of the documents subject of the resolution dated January 7, 2020; and (ii) submit proof of compliance. Hence, on July 27, 2020, MWC furnished the Secretary of Finance, through the OSG, with copies of the relevant documents requested.

In a Resolution dated September 8, 2020, the SC directed the parties to file their respective comments on the OSG's Very Urgent Motion dated January 20, 2020. On October 26, 2020, MWC filed its Manifestation that it had already filed its comment on February 26, 2020. In a Manifestation dated November 16, 2020, the MWSS joined the OSG's motion to set the consolidated Petitions for oral arguments.

On October 8, 2021, the MWC filed a Manifestation informing the Supreme Court that a Revised Concession Agreement was entered into between MWC and MWSS on March 31, 2021, which amends the 1997 Concession Agreement and which could moot material issues raised in the consolidated Petitions.

On October 20, 2021, MWC filed another Manifestation dated October 18, 2021 informing the Supreme Court that in view of the execution of the Revised Concession Agreement in 2021, the principal issues in G.R. 219362 (*Colmenares Petition*) have been rendered moot and academic.

To date, the foregoing cases remain pending.

Allan Mendoza et al. vs. Manila Water Company, Inc. Special Civil Action No. R-QZN-14-04863-SC, RTC QC Branch 77

On May 23, 2014, Allan Mendoza, et al. filed a Petition for Mandamus under Rule 65 of the Rules of Court praying that MWC and its President, Mr. Gerardo C. Ablaza, Jr. be commanded to: (a) reinstitute the Welfare Fund, under terms and conditions which are no less favorable than those provided in the MWSS Employees Savings and Welfare Plan; to make an accounting, and reimburse and/or return to the MWC Welfare Fund the employer's share as of December 2005 which was diverted to the MWC Retirement Plan; and to implement the progressive employer share from the time the Welfare Fund was dissolved in 2005 up to the time when the Welfare Fund is finally reinstituted for the petitioners who are still employed, and up to the end of employment for those who are already separated on account of resignation, retirement, termination, etc.; (b) to implement correctly the benefits of petitioners which are guaranteed against non-diminution, as indicated in Exhibit "F" of the Concession Agreement; (c) to allow petitioners to accumulate their paid leaves of fifteen (15) days of vacation leave and fifteen (15) days of sick leave annually; and (d) to pay interest on the foregoing at 12% per annum.

Legal Proceedings

In an Order dated June 11, 2014, MWC and Mr. Ablaza were directed to file their Comment. On June 27, 2014, MWC and Mr. Ablaza filed their Comment and argued as follows: (a) the court has no jurisdiction over the subject matter of the instant Petition; being essentially an action for payment of employee benefits, the Labor Arbiters under the National Labor Relations Commission ("NLRC") have original and exclusive jurisdiction over this case; (b) petitioners have resorted to mandamus in order to avoid payment of filing fees for a collection case; thus, the court has not acquired jurisdiction over the case for failure of the petitioners to pay the prescribed docket fees as set forth in Rule 141 of the Rules of Court; (c) petitioners are not entitled to a writ of mandamus; (d) there was a plain, speedy and adequate remedy available to the petitioners; (e) the case should not be treated as a class suit; (f) the claims of petitioners have prescribed; (g) the Complaint should be dismissed because petitioners' alleged cause of action is barred by laches; and (h) petitioners have received benefits no less favorable than those granted to such employees by the MWSS at the time of their separation from MWSS.

In an Order dated July 28, 2014, the court set the presentation of petitioners' evidence on September 10, 2014 and October 8, 2014. However, the September 10, 2014 hearing was cancelled because the branch clerk of court, the clerk-in-charge of civil cases, the court interpreter and the court aide of the branch were attending a seminar for the e-Court system.

Thereafter, petitioners filed a Motion to Cancel (the October 8, 2014) Hearing and to Allow Parties to Submit Memoranda. In their Motion, petitioners claimed that the issues for resolution in the instant case are legal questions and prayed that the parties be required to submit Memoranda in lieu of presentation of evidence.

On October 1, 2014, MWC and Mr. Ablaza filed a Comment on the Motion and stated that they do not entirely agree with petitioners' statement as they have made factual allegations in their Petition that would need to be proven in a full-blown trial. These allegations include, among others, that the employees have suffered diminution of benefits and that MWC had allegedly used part of the Welfare Fund as seed money for the Retirement Fund.

However, MWC and Mr. Ablaza proposed that the following legal issues be initially disposed of by way of simultaneous Memoranda to be submitted by the parties, namely, whether or not: (a) the court has jurisdiction over the subject matter of the Petition being essentially an action for payment of employee benefits; (b) the court has acquired jurisdiction over the case considering the failure of the petitioners to pay the prescribed docket fees as set forth in Rule 141 of the Rules of Court; (c) the petitioners are entitled to a writ of mandamus; (d) there was a plain, speedy and adequate remedy available to the petitioners; (e) this case should be treated as a class suit; (f) the claims of petitioners have prescribed; and (g) the Petition should be dismissed because petitioners' alleged cause of action is barred by laches.

On October 8, 2014, the scheduled hearing for the initial presentation of petitioners' evidence was cancelled and reset to March 5, 2015 due to the absence of the presiding judge. At the March 5, 2015 hearing, petitioners reiterated their prayer that the parties be required to submit Memoranda in lieu of presentation of evidence considering that only legal questions are involved. MWC and Mr. Ablaza again countered that petitioners have made factual allegations in their Petition that would need to be proven in a full-blown trial.

The presiding judge stated that the proceedings for a petition for mandamus are summary in nature. Thus, he directed the parties to simultaneously submit their respective Memoranda within sixty days, or by May 5, 2015. He directed the parties to address all legal issues and if there are factual issues, to attach judicial affidavits of witnesses. Upon submission of the Memoranda, he will determine if a party would be allowed to cross-examine the other's witnesses or if he would still conduct oral arguments.

The parties subsequently filed their respective Memoranda.

In an Order dated September 14, 2015, the parties were directed to manifest whether they would be submitting the case on the basis of their respective Memoranda or if they would request for a trial on the merits. At the October 12, 2015 hearing before the clerk of court, MWC and Mr. Ablaza, through counsel, reiterated that they would prefer if the issues on jurisdiction and other grounds for dismissal

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be resolved first before deciding whether or not the case should go to trial. The clerk of court noted this manifestation for discussion with the presiding judge.

The trial court thereafter set the case for initial trial on March 30, 2016. During the hearing, both parties stated that their respective positions are already set forth in the Memorandum each submitted. The issues on jurisdiction and other grounds for dismissal were submitted for resolution. In an Order dated April 1, 2016, the trial court dismissed the case, without prejudice, on the ground that the Petition filed by Mr. Mendoza failed to state a cause of action for mandamus. In an Order dated July 14, 2016, the trial court denied the MR of the petitioners.

Mr. Allan M. Mendoza proceeded to file a Petition for Certiorari with the CA. On October 24, 2016, the CA ordered the counsel of Mr. Mendoza to submit an Amended Petition, this time impleading the names of the other petitioners, stating their actual addresses, and appending copies of their Special Powers of Attorney. On December 1, 2016, the Amended Petition was filed.

In a Resolution dated January 19, 2017, the CA directed the counsel for the petitioners to submit the addresses of some of the co-petitioners and to implead one additional petitioner. On February 21, 2017, MWC received a Second Amended Petition filed by petitioners supposedly to comply with the directive of the court.

In a Resolution dated September 8, 2017, the CA directed MWC to comment on the Amended Petition. MWC filed its Comment on October 30, 2017.

The CA thereafter referred the parties to compulsory mediation, which however failed. In a Resolution dated March 6, 2018, the parties were directed to file their respective Memoranda. MWC filed its Memorandum on May 24, 2018.

In a Resolution dated July 31, 2018, the CA admitted the Memorandum filed by MWC. However, the Memorandum filed by the petitioners was deemed not filed, as their Motion for Extension of Time to file the same was unsigned. The petitioners were directed to show cause why their Memorandum should be admitted despite being filed late. In a Compliance with Manifestation and Motion to Admit, petitioners' counsel explained that late filing was an oversight caused by counsel's recent surgery and the medications prescribed and prayed that petitioners' Memorandum be admitted.

In a Decision dated November 24, 2020, the CA denied the Petition for Certiorari for lack of merit. On January 7, 2021, MWC received Petitioners' Motion for Single Extension of Time requesting for 30 days to file a Petition for Review on Certiorari before the SC. On February 17, 2021, MWC Received Petitioners' Petition for Review on Certiorari dated February 1, 2021.

In a Resolution dated June 16, 2021, the Supreme Court denied the Petition for failing to show any reversible error on the part of the appellate court. On September 23, 2021, MWC received a motion for reconsideration from Petitioners.

To date, this case remains pending.

In the Matter of an Arbitration under the Rules of Arbitration of the Philippine Dispute Resolution Center, Inc. (PDRCI) between Zamboanga Water Company, Inc. and Zamboanga City Water District (PDRCI Case No. 112-2020)

On April 3, 2020, Zamboanga Water Company, Inc. ("Zamboanga Water") received a letter, dated April 1, 2020, from the Zamboanga City Water District ("ZCWD"), requesting for the termination of the 10-year Non-Revenue Water Reduction Service Agreement ("NRWRSa"). In its the letter, ZCWD indicated that the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the District Metered Areas (DMAs) established by Zamboanga Water has rendered the NRWRSa impractical and unworkable, and thus, in the interest of fiscal responsibility and sound management of government funds, ZCWD requested for the termination of the NRWRSa.

On April 30, 2020, Zamboanga Water approved the termination of the NRWRSa but on different grounds, particularly the non-payment of fees, non-establishment of escrow account and non-adherence by ZCWD with the NRWRSa. Such termination, however, was without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSa.

Legal Proceedings

Despite earnest efforts, Zamboanga Water and ZCWD were unable to arrive at an amicable settlement.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRW RSA, seeking claims of ₱541 Million against ZCWD in the form of termination amount, unpaid fixed fees and performance fees, interest and other claims.

In a letter dated October 12, 2020, the PDRCI informed ZCWD of the Notice of Arbitration filed by Zamboanga Water, and invited ZCWD to submit its response thereto within 30 days from receipt.

On November 20, 2020, Zamboanga Water received ZCWD's Entry of Appearance with Request for Extension of Time to Submit Respondent's Response praying that ZCWD be given 30 days, or until December 25, 2020, to file its Response to the Notice of Arbitration.

On December 1, 2020, Zamboanga Water submitted its nomination of Supreme Court Associate Justice Jose P. Perez (ret.) as co-arbitrator. On December 11, 2020, Zamboanga Water received ZCWD's Manifestation nominating Congressman Rufus B. Rodriguez

On December 15, 2020, Zamboanga Water received ZCWD's Response to our Notice of Arbitration.

On December 28, 2020, Zamboanga Water filed a Notice of Challenge against ZCWD's nomination of Congressman Rodriguez. On January 4, 2021, ZCWD accepted our challenge and withdrew its appointment of Congressman Rodriguez, and has appointed former Commission on Audit Chairperson Atty. Maria Grace Pulido-Tan as its substitute arbitrator.

On January 8, 2021, ZCWD filed a Notice of Challenge questioning our appointment of Supreme Court Associate Justice Jose P. Perez (ret.) as co-arbitrator.

On January 21, 2021, Zamboanga Water filed its comment/opposition to ZCWD's challenge of Supreme Court Associate Justice Jose P. Perez (ret.).

On January 26, 2021, Zamboanga Water filed a Notice of Challenge against ZCWD's nomination of former Commission on Audit Chairperson Atty. Pulido-Tan.

In a Letter dated March 19, 2021, the PDRCI resolved to deny ZCWD's challenge of Supreme Court Associate Justice Jose P. Perez (ret.) and to confirm his appointment as first arbitrator.

In a Letter dated March 30, 2021, the PDRCI resolved to deny Zamboanga Water's challenge of Atty. Pulido-Tan and to confirm her appointment as second arbitrator.

In a Letter dated April 20, 2021, the PDRCI advised the appointment of Chief Justice Teresita L. De Castro (ret.) as third arbitrator and Chair of the Arbitral Tribunal.

On June 22, 2021, Zamboanga Water filed its Statement of Claim. Thereafter, ZCWD filed a Request for Extension dated June 23, 2021 asking to be given 45 days to file its Statement of Defense

On August 6, 2021, ZCWD filed its Statement of Defense.

In Procedural Order No. 4 dated August 18, 2021, the PDRCI advised of the untimely passing of Supreme Court Associate Justice Jose P. Perez (ret.) on August 12, 2021 and directed the parties to move in the premises.

On August 23, 2021, Zamboanga Water filed a Motion requesting for a period of time, or until September 11, 2021, to appoint a substitute arbitrator. In a Manifestation of even date, ZCWD stated that it interposes no objection to Zamboanga Water's Motion.

On September 1, 2021, Zamboanga Water filed its Proposed Stipulations, Request for Admission, and Motion for Production of Documents.

Legal Proceedings

On September 2, 2021, ZCWD filed a Manifestation with Request for Additional Time to file its Proposed Stipulations, Request for Admission and Motion for Production.

On September 8, 2021, ZCWD filed Proposed Stipulations, Request for Admission, and Motion for Production of Documents. Thereafter, Zamboanga Water filed a Comment/Opposition praying that ZCWD's Request for Additional Time be denied, and to declare ZCWD to have waived its right to avail itself of discovery. However, the Arbitral Tribunal granted ZCWD's Request for Additional Time.

On September 10, 2021, Zamboanga Water filed a Manifestation nominating Supreme Court Associate Andres B. Reyes, Jr. (ret.) in substitution of the late Justice Jose P. Perez (ret.).

In a Letter dated November 9, 2021, the PDRCI confirmed the appointment of Supreme Court Associate Andres B. Reyes, Jr. (ret.) as substitute arbitrator in place of the former first arbitrator.

On December 14 and 16, 2021, the PDRCI held a case management conference to discuss and finalize the Terms of Reference.

On December 31, 2021, Zamboanga Water and ZCWD jointly filed a Joint Stipulations.

The arbitration is currently ongoing.

INTEGRATED MICRO-ELECTRONICS, INC.

As of December 31, 2021, Integrated Micro-Electronics, Inc. ("IMI") is a party to various legal proceedings arising in the ordinary course of its operations. Set forth below is a description of certain legal proceedings which, if decided adversely against IMI, could have a significant impact on IMI's operations and financial results.

Certain employees have filed illegal dismissal cases before the National Labor Relations Commission against IMI when the latter terminated their services due to violation of company rules and regulations such as acts of dishonesty, and excessive unauthorized absences. These cases are at various stages including appeal.

IMI has also filed criminal cases against certain individuals who circumvented the procedures, rules, and regulations set by IMI to pilfer materials (i.e., copper wire, solder dross, etc.) and parts. Most of these cases were withdrawn after compromise agreements were entered into.

REGULATORY FRAMEWORK

The following is a summary of the recent laws and regulations in the Philippines applicable to the Group, since the date of the Prospectus. For further discussion on laws and regulations applicable to the Group, please see Regulatory Framework on pages 374-387 of the Prospectus.

The information detailed in this chapter has been obtained from publications available in the public domain. The statements herein are based on the laws in force as of the date of this Offer Supplement and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company and/or its subsidiaries or the offering.

Foreign Investments

Retail Trade Liberalization Act, as amended by R.A. 11595

R.A. No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000 (“R.A. 8762”), was enacted on March 7, 2000. R.A. 8762 liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services, and wider choices. Prior to the passage of R.A. 8762, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

“Retail Trade” is defined by R.A. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities, or goods for consumption.

Effective January 21, 2022, R.A. 11595 amended the Retail Trade Liberalization Act to lower the minimum paid-up capital requirement for foreign retail enterprises. Under the law, foreign-owned participants, associations, and corporations, upon registration with the SEC or the Department of Trade and Industry (“DTI”), may engage or invest in the retail trade business, under the following conditions:

1. A foreign retailer shall have a minimum paid-up capital of Twenty-five million pesos (₱25,000,000);
2. The foreign retailer's country of origin does not prohibit the entry of Filipino retailers; and
3. In the case of foreign retailers engaged in retail trade through more than one (1) physical store, the minimum investment per store must be at least Ten million pesos (₱10,000,000): Provided, That this requirement shall not apply to foreign investors and foreign retailers who are legitimately engaged in retail trade and were not required to comply with the minimum investment per store at the time of the effectivity of the law: Provided, further, That proof of qualification to engage in retail trade under Republic Act No. 8762 and its implementing rules and regulations is submitted to the DTI.

The implementing rules of R.A. 8762, as amended by R.A. 11595, define a foreign retailer as a foreign national, partnership, association, or corporation of which more than forty percent (40%) of the capital stock outstanding and entitled to vote is owned and held by such foreign national, engaged in retail trade. The DTI is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A. 8762, before they are allowed to conduct business in the Philippines.

MARKET PRICE OF AND DIVIDENDS ON THE ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following section discusses updates to the Company after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement and the Prospectus.

Shareholders

Messrs. Jaime Augusto M. Zobel de Ayala and Fernando M. Zobel de Ayala, individually and through their control of Mermac, Inc., a private holding company incorporated in the Philippines, are the majority shareholders of and effectively control Ayala. Mermac, Inc. holds or owns 47.8657% of the outstanding common shares and 86.3894% of the outstanding voting preferred shares of the Company as of March 31, 2022. Members of the Zobel de Ayala family have been involved in Ayala's business since its establishment in 1834.

As of March 31, 2022, 51.2556% of Ayala's common shares were owned by the public.

The following are the top 20 registered holders of the Company's securities as of March 31, 2022:

Common Shares

	Stockholder name	Nationality	No. of common shares	Percentage (of common shares)
1.	Mermac, Inc.	Filipino	296,625,706	47.8657%
2.	PCD Nominee Corporation (Non-Filipino)	Various	140,628,196	22.6928%
3.	PCD Nominee Corporation (Filipino)	Filipino	121,575,944	19.6184%
4.	Mitsubishi Corporation	Japanese	37,771,896	6.0951%
5.	Shoemart, Inc.	Filipino	7,529,203	1.2150%
6.	Sysmart Corporation	Filipino	1,500,912	0.2422%
7.	ESOWN Administrator 2020	Filipino	1,455,430	0.2349%
8.	SM Investment Corporation	Filipino	1,488,502	0.2402%
9.	Phil. Remnants Co., Inc.	American	823,046	0.1328%
10.	ESOWN Administrator 2021	Filipino	558,849	0.0902%
11.	ESOWN Administrator 2019	Filipino	512,962	0.0828%
12.	ESOWN Administrator 2018	Filipino	482,414	0.0778%
13.	ESOWN Administrator 2016	Filipino	471,061	0.0760%
14.	ESOWN Administrator 2017	Filipino	421,609	0.0680%
15.	ESOWN Administrator 2015	Filipino	361,777	0.0584%
16.	Mitsubishi Logistics Corporation	Japanese	360,512	0.0582%
17.	ESOWN Administrator 2012	Filipino	232,322	0.0375%
18.	ESOWN Administrator 2014	Filipino	219,644	0.0354%
19.	Telengtan Brothers & Sons, Inc.	Filipino	136,857	0.0221%
20.	Lucio Yan	Filipino	127,996	0.0207%

Preferred "B" Series 1 Shares

	Stockholder name	Nationality	No. of Preferred "B" shares	Percentage of Preferred "B" shares
1.	PCD Nominee Corp – Filipino	Filipino	19,776,530	98.8827%
2.	PCD Nominee Corp – Non Filipino	Various	84,410	0.4221%
3.	Makati Central Estate Association, Inc.	Filipino	60,000	0.3000%
4.	Insigne Fortuna Holdings Inc.	Filipino	19,320	0.0966%
5.	One Point Contact, Inc.	Filipino	18,000	0.0900%
6.	Santos, Leonel A. and/or Santos, Alicia	Filipino	7,000	0.0350%
9.	Tan, Ben Cuevo and/or Tan, Imelda Toralba	Filipino	6,000	0.0300%

Market Price of and Dividends on the Issuer's Common Equity and Related Stockholder Matters

7.	Chavez, Felix B. or Aida T. Chavez or irene T. Chavez	Filipino	5,000	0.0250%
8.	Chan, Raymond O. or Chan Lynette	Filipino	5,000	0.0250%
11.	Philippine British Assurance Company, Inc.	Filipino	4,000	0.0200%
12.	Zalamea, Enriquez M. Jr.	Filipino	4,000	0.0200%
13.	Jose Maximillan F. Lumawig or Grace T. Lumawig	Filipino	4,000	0.0200%
14.	Tan Sherley Gargantos or Tan Brian Gargantos	Filipino	3,400	0.0170%
15.	Macabuhay, Melchor T.	Filipino	1,540	0.0077%
16.	Bautista, Feliciano M. and or Bautista, Elisa D.	Filipino	1,000	0.0050%
17.	Lim, Iris Veronica Go	Filipino	600	0.0030%
18.	GD Tan and Company	Filipino	200	0.0010%

Preferred "B" Series 2 Shares

	Stockholder name	Nationality	No. of Preferred "B" shares	Percentage of Preferred "B" shares
1.	PCD Nominee Corp – Filipino	Filipino	29,787,848	99.2928%
2.	PCD Nominee Corp – Non Filipino	Various	178,562	0.5952%
3.	Knights of Columbus Fraternal Association of the Phils. Inc.	Filipino	19,960	0.0665%
4.	Zwain, Adam Michael		7,630	0.0254%
5.	Ilusorio, Marieta K.	Filipino	6,000	0.0200%

Voting Preferred Shares

	Stockholder name	Nationality	No. of voting preferred shares	Percentage of voting preferred shares
1.	Mermac, Inc.	Filipino	172,778,760	86.3894%
2.	Mitsubishi Corporation	Japanese	19,545,678	9.7728%
3.	Deutsche Bank AG Manila OBO UBS HK A/C 12105904001	Hongkong	1,561,478	0.7807%
4.	Fernando Zobel de Ayala	Filipino	554,983	0.2775%
5.	Jaime Augusto Zobel de Ayala	Filipino	543,802	0.2719%
6.	CBNA MLA OBO AC 6002079755	Filipino	364,810	0.1824%
7.	Delfin L. Lazaro	Filipino	258,297	0.1291%
8.	Britel Fund Trustees Limited	Filipino	170,064	0.0850%
9.	HSBC Manila OBO A/C 000-808154-573	Filipino	169,803	0.0849%
10.	Deutsche Regis Partners, Inc. A/C Clients	Filipino	137,372	0.0687%
11.	BDO Securities Corporation	Filipino	115,794	0.0579%
12.	AB Capital Securities Inc.	Filipino	113,164	0.0566%
13.	Mercedita S. Nollado	Filipino	84,996	0.0425%
14.	Ariston Dela Rosa Estrada, Jr.	Filipino	84,396	0.0422%
15.	SCB OBO SSBTC Fund GJAE	Filipino	81,794	0.0409%
16.	Asiassec Equities Inc.	Filipino	78,007	0.0390%
17.	HSBC Manila OBO A/C 000-083766-550	Filipino	73,272	0.0366%
18.	HSBC Manila OBO A/C 000-171512-575	Filipino	72,884	0.0364%
19.	Papa Securities Corporation	Filipino	69,646	0.0348%
20.	Ansaldo Godinez & Company Inc.	Filipino	65,977	0.0330%

As of March 31, 2022, 45.2352% of the total outstanding shares of the Company or 317,454,512 common shares, 19,980,000 preferred "B" series 1 shares, 29,998,000 preferred "B" series 2 shares,

Market Price of and Dividends on the Issuer's Common Equity and Related Stockholder Matters

and 25,801,681 voting preferred shares are owned by the public. The Company is 22.0293% foreign-owned and 78.9707% Filipino-owned.

Dividends and Dividend Policy

As a holding company, Ayala's policy is to provide a fixed-rate, semi-annual cash dividend on common shares. For voting preferred shares, the rate is 5.7730% per annum. For non-voting Preferred B Series 1 and 2 shares, the dividends are given 5.25% and 5.575% per annum, respectively.

Dividend Declarations and Payments

On Common Shares since the date of the Prospectus:

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021	July 29, 2021 December 24, 2021	August 13, 2021 January 7, 2022	3.46/share

On Preferred B Series 1 Shares since the date of the Prospectus

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021	February 11, 2021 April 22, 2021 August 3, 2021 November 2, 2021	February 15, 2021 May 15, 2021 August 15, 2021 November 15, 2021	¼ of 5.2500% per annum, or 6.56250/per share
2022	January 31, 2022	February 15, 2022	¼ of 5.2500% per annum, or 6.56250 per share

On Preferred B Series 2 Shares since the date of the Prospectus

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021**	February 19, 2021 May 7, 2021 August 13, 2021 November 16, 2021	February 28, 2021 May 29, 2021 August 29, 2021 November 29, 2021	¼ of 4.8214 % per annum, or 6.02675/per share
2022**	February 15, 2022	February 28, 2022	¼ of 4.8214% per annum, or ₱6.02675 per share

* ACPB1

**APB2R

On Voting Preferred Shares since the date of the Prospectus

Cash Dividends			
Year	Record Date	Payment Date	Rate (₱)
2021	April 26, 2021	May 20, 2021	0.05773/share

*The dividend rate has been re-priced from 3.6950% to 5.7730% per annum, which is equal to the 3-year PHP BVAL reference rate as of May 20, 2019 and will be applicable until May 20, 2022, the next re-pricing date.

Dividends Declared by Subsidiaries

See "Dividend Policy" on pages 81-86 of this Offer Supplement.

Market Price of the Issuer's Equity

The following table shows the high and low prices (in ₱) of Ayala's shares in the PSE for the years 2021, 2020, and 2019:

Market Price of and Dividends on the Issuer's Common Equity and Related Stockholder Matters

	2021		2020		<u>2019</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1 st qtr	840.00	725.00	808.00	360.00	1,000.00	900.00
2 nd qtr	835.00	700.00	810.00	446.00	931.00	838.00
3 rd qtr	818.00	710.00	797.00	685.00	983.00	884.50
4 th qtr	903.00	801.00	870.00	688.00	879.50	752.00

Source: Nasdaq IR Insight, Bloomberg

The market capitalization of the Company's common shares as of December 31, 2021, based on the closing price of ₱831/share, was approximately ₱515billion.

The price information of Ayala common, preferred B series 1 and preferred B series 2 shares as of the close of the latest practicable trading date, April 4, 2022, are ₱808, ₱503.5 and ₱505, respectively.

Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction

The following shares were issued to/subscribed by the Company's executives as a result of the ESOP and the ESOWN plans since the date of the Prospectus:

	<u>No. of shares</u>	
<u>Year</u>	<u>ESOP</u>	<u>ESOWN*</u>
2021	253,086	558,849

**Net of cancelled subscriptions.*

The above shares formed part of the 8,864,000 ESOP and ESOWN shares subject of the Commission's resolution dated January 12, 2006 confirming the issuance of such shares as exempt transactions pursuant to Section 10.2 of the SRC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following section discusses updates to the Group's results of operations and financial condition after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement and the Prospectus. This section should be read in conjunction with the Company's consolidated financial statements related notes, and the Prospectus. See the cautionary statement regarding forward-looking statements on page 7 of this Offer Supplement for a description of important factors that could cause actual results to differ from expected results.

This section includes financial and operating data with respect to Ayala's subsidiaries Ayala Land, IMI, and AC Energy or ACEIC (with key subsidiary ACEN), associates (BPI and Manila Water) and joint venture (Globe). This section should be read in conjunction with the financial highlights of these subsidiaries, Associates and Joint Ventures which can be accessed at these companies' official websites.

Please refer to introduction in the Summary Financial Information portion of this Offer Supplement on the discussion of restatements made on the Group's financial statements namely Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity as of December 31, 2021.

This section also includes discussion of financial ratios. These financial ratios are unaudited and are not measurements of profitability in accordance with PFRS and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

Pre-PFRS pertains to amounts prior to re-presentation of operations under PFRS 5, initial adoption of PFRS 16 in 2019 and initial adoption of PFRS 15 and 9 in 2018, as applicable.

2021 vs 2020 Highlights

- Ayala Corporation's net profits grew 62 percent to ₱27.8 billion in 2021, primarily driven by realized income from the execution of strategic initiatives in the group, boosted by the improved performance of Ayala Land and BPI.
- Ayala posted gains from executed transactions during the year, including the remeasurement of its stake in Manila Water following the sale of secondary shares to Trident Water, the sale of the Ayala group's stake in GNPowder Kauswagan, and the entry of a new investor in Mynt.
- Ayala's businesses recorded higher net profits during the year:
 - Ayala Land's net income attributable to the owners of the Parent Company grew 40 percent to ₱12.2 billion on the account of resilient operations, supported by relaxed quarantine restrictions in the fourth quarter of 2021.
 - BPI's net income increased 12 percent to ₱23.9 billion because of lower loan loss provisions and record-high fee income.
 - Globe's net income rose 27 percent to ₱23.7 billion from higher results from all data-related revenues, gain from the deemed sale of investment in Mynt, and the impact of the CREATE law. These offset the impairment costs from the network related damages caused by Typhoon Odette.
 - ACEN's net income attributable to the owners of the Parent Company increased 22 percent to ₱5.3 billion as robust earnings from its international assets supported softness in Philippine operations.
- Excluding gains and other one-offs, Ayala's core net income decreased 10 percent to ₱23.5 billion, mainly driven by weaker net interest income in BPI, higher depreciation expense in Globe, and reduced stake in ACEN following the completion of its capital market issuances and sale of secondary shares to GIC combined with higher financing cost taken up at the AC Energy parent level.

Management's Discussion and Analysis of Results of Operations and Financial Condition

4Q21 vs 4Q20 Highlights

Ayala's net income grew 46 percent to ₱8.4 billion in the fourth quarter compared to the same period in the previous year, also driven by the abovementioned realized gains.

Consolidated Sales of Goods and Services

Sale of goods and rendering services increased 17 percent to ₱225.6 billion mainly due to higher residential bookings, incremental project completion, and construction services in Ayala Land, better operation across all sites in IMI, higher vehicle sales in AC Motors on the back of looser quarantine restrictions, and higher revenues in AC Energy from the consolidation of Islasol and Sacasol, and the consolidation of Qualimed into AC Health.

Real Estate

- Ayala Land's total revenues increased 10 percent to ₱106.1 billion and its net income attributable to the owners of the Parent Company grew 40 percent to ₱12.2 billion on the account of resilient operations, supported by relaxed quarantine restrictions in the fourth quarter of 2021.
- Property development revenues were up 14 percent to ₱75.9 billion on continuing construction progress and higher bookings.
- Residential sales reservations in 2021 grew 13 percent to ₱92.2 billion largely from the strong demand for horizontal projects in Southern Luzon by Ayala Land Premier and ALVEO. Sales reservations from lot sales alone jumped 36 percent to ₱41.5 billion during the year.
 - Fourth quarter sales take-up posted a five percent growth to ₱22.1 billion compared to the same quarter in 2020.
 - Ayala Land launched a total of 22 projects worth ₱75.3 billion, seven times more in 2020.
- Commercial leasing revenues declined six percent to ₱20.6 billion given limited operations most of the year.
 - Shopping center leasing revenues went down 12 percent to ₱7.9 billion. With improved mobility in the fourth quarter, revenues reached ₱3 billion, double the level generated in the same quarter a year ago.
 - Office leasing income grew five percent to ₱9.9 billion as BPO and HQ operations remained stable throughout the period.
 - Hotels and resorts revenues decreased 17 percent to ₱2.8 billion, improving from the first nine months as resort operations were able to host 35 travel bubbles in the fourth quarter, partially cushioning travel restrictions and lower hotel occupancy earlier in the year.
- Ayala Land's capital expenditures reached ₱64 billion in 2021, more than half of which went to the completion of its residential projects.
- Ayala Land has earmarked ₱90 billion in capital expenditures and is prepared to launch ₱100 billion-worth of residential projects in 2022.
- In January 2022, the Boards of Ayala Corporation and Ayala Land approved the property-for-share swap with each other and Mermac, Inc. Under the transaction, AC and Mermac will transfer five assets to ALI in exchange for 311,580,000 primary common shares at a value of ₱55.80 per share, as validated by a third-party fairness opinion. The acquisition further expands Ayala Land's land bank and commercial assets, which will create value for stakeholders.

Power

- ACEN's net income increased 22 percent to ₱5.3 billion as robust earnings from its international assets supported softness in Philippine operations.
- Equity earnings from international plants soared 51 percent to ₱4.9 billion, driven by operating capacity with the commencement of operations of new wind farms in Vietnam and solar farms in India.
- Earnings contribution from its Philippine plants decreased 20 percent to ₱3.1 billion as the start of operations of the Palauig and Alaminos solar farms was outweighed by increased cost of purchased power due to higher spot market prices. Without one-off retroactive feed-in tariff adjustment booked in 2020, earnings from the Philippine assets would have been flat.

Management's Discussion and Analysis of Results of Operations and Financial Condition

- ACEN's attributable output increased 21 percent to 4.6 gigawatt hours, driven by higher operating capacity and increased dispatch of thermal plants.
 - Generation from international plants grew 24 percent because of additional capacity from new wind farms in Vietnams and solar farms in India.
 - Output from Philippine plants was up 20 percent to 2.7 gigawatt hours due to improved utilization of peaking thermal plants, in addition to the start of operations of the Alaminos and Palauig solar farms.
- ACEN has 3,751 MW of attributable capacity in its portfolio (pro forma), of which 87 percent is renewable. 63 percent of the portfolio is already operating.
- In line with its aggressive portfolio expansion in the Philippines, Vietnam, India, and Australia, ACEN invested a total of ₱33.1 billion in capital expenditures in 2021.
 - With various projects and announced acquisitions slated in 2022, ACEN has earmarked a CAPEX budget of ₱55 billion this year.
- In February, ACEN, through its wholly owned subsidiary, AC Energy Vietnam, signed an agreement to acquire a 49 percent stake in Solar NT, which is owned by Thailand's Super Energy Corporation.
 - Upon completion of internal restructuring, Solar NT will fully own and operated 837 MW of solar projects in Vietnam.
 - The investment brings ACEN's attributable international capacity to more than 2,200 MW, of which more than 1,000 MW are in Vietnam.

Share in Net Profits of Associates and JV

Share in net profits of associates and joint ventures increased 33 percent to ₱23.4 billion due to higher revenues from home broadband and the lower tax expense from the impact of the CREATE law in Globe, lower loan loss provisions in BPI, higher equity in net earnings resulting from GNPD's liquidating damages in AC Energy, and better performance from associates and joint ventures of Ayala Land. This also includes share in net earnings of Manila Water from June to December 2021. As a percentage of total revenues, this account was nine percent and eight percent on December 31, 2021 and December 31, 2020, respectively.

Banking

- BPI's net income increased 12 percent to ₱23.9 billion because of lower loan loss provisions and record-high fee income.
- Total revenues decreased four percent to ₱97.4 billion because of softer net interest income and non-interest income.
 - Net interest income was down four percent to ₱69.6 billion as net interest margin contracted by 19 basis points to 3.3 percent, driven by lower yields across most loan portfolios and treasury assets.
 - Non-interest income went down six percent to ₱27.8 billion on the back of lower trading income that was tempered by a 23 percent growth in fee income.
- Total loans rose five percent to ₱1.5 trillion primarily from higher mortgage, credit card, and microfinance loans.
- Total deposits grew 14 percent to ₱2 trillion with CASA and time deposits expanding 10 percent and 28 percent, respectively.
 - CASA ratio stood at 77 percent.
 - Loan-to-deposit ratio ended at 75.5 percent.
- NPL ratio stood at 2.49 percent and NPL coverage ratio settled at 136.1 percent. These improved by 19 basis points and 21 percentage points, respectively.
- Operating expenses increased five percent to ₱50.7 billion because of higher technology cost.
 - Cost-to-income ratio stood at 52.1 percent.
- Total assets grew eight percent to ₱2.4 trillion. Total equity amounted to ₱293.1 billion.
 - Indicative common equity tier 1 ratio stood at 15.8 percent.
 - Indicative capital adequacy ratio stood at 16.7 percent.
 - Return on assets was 1.1 percent.

Management's Discussion and Analysis of Results of Operations and Financial Condition

- Return on equity was 8.4 percent.
- In line with the increased demand for banking services in the digital space, BPI created its digital governance framework and launched its 7 Client Engagement Platforms in 2021 to better serve its clients across different segments.
 - On top of its four existing platforms Express Online, BPI Trade, BizLink, and BanKo app, BPI is on track to launch BizKo for its SME partners. BizKo is tailored to the needs of SME clients providing them solutions for payments, payroll, invoicing, billing, and collection.
 - BPI is also working on the sixth and seventh installments of the framework, which are both slated to be launched in the second half of 2022. BPI will also launch its BPI Trade app within the year.

Telecommunications

- Globe's net income rose 27 percent to ₱23.7 billion from higher results from all data-related revenues, gain from the deemed sale of investment in Mynt, and the impact of the CREATE law. These offset the impairment costs stemming from Typhoon Odette.
 - Lower non-operating expenses were mainly due to the gain of ₱4.3 billion from the deemed sale of investment in Mynt, partially offset by the impairment cost of ₱1.2 billion from the network related damages caused by Typhoon Odette. These also include the upside impact of the CREATE law and higher equity share in affiliates.
- Globe's core net income, which excludes the impact of non-recurring charges and foreign exchange and mark-to-market changes, increased nine percent to ₱21.2 billion.
- Total service revenues grew four percent to ₱151.5 billion due to home broadband and corporate data from increased data consumption. Total data revenues accounted for 61 percent of Globe's service revenues compared to the year-ago level of 76 percent.
- Growth in demand for data was evident in the upward momentum of all data-related segments of Globe.
 - Mobile data revenues increased seven percent to ₱77.8 billion.
 - Mobile data traffic jumped 48 percent to 3,733 petabytes.
 - Home broadband revenues grew 10 percent to a record-high ₱29.4 billion.
 - Home broadband subscriber base stood at 3.7 million subscribers as fixed wired subscribers grew by 31 percent, leading to a 26 percent improvement in fixed wired revenues. Fixed wireless subscribers declined 11 percent as users shift out of the fixed wireless service to the more consistent and reliable wired service.
 - Corporate data revenues grew 12 percent to ₱14.2 billion mostly from growth from domestic services and information and communication technology.
- Operating expenses including subsidies increased five percent to ₱76.6 billion due to higher spending to support its aggressive upgrades and expenses related to restoration, repair, and services costs resulting from Typhoon Odette.
- EBITDA increased two percent to ₱74.9 billion due to topline improvement while EBITDA margin slightly contracted to 49 percent because of the impact of Typhoon Odette.
- Aligned with its thrust to expand its data businesses, Globe's CAPEX increased by 54 percent to an all-time high of ₱92.8 billion, representing 61 percent of gross service revenues and 124 percent of EBITDA. About 86 percent went to data-related requirements:
 - Built 1,407 new cell sites nationwide for both 4G LTE and 5G
 - Upgraded over 22,300 mobile sites
 - Expanded 5G coverage to over 2,000 sites
 - Rolled out 1.4 million FTTH lines on the home broadband front
- For 2022, Globe is earmarking ₱89 billion in CAPEX to continue its aggressive network expansion to boost internet quality and coverage in the country.
- Globe is moving towards becoming a digital solutions company, leveraging its core telco business to tap the shifting consumer landscape, which is being heavily influenced by digital adoption. Within its portfolio are high-growth enterprises in fintech, healthtech, adtech, and e-commerce among others.
 - GCash reached positive full year EBITDA and profitability three years ahead of its target. It has 55 million registered users, which drove gross transaction value to increase three times to ₱3.8 trillion in 2021.

Management's Discussion and Analysis of Results of Operations and Financial Condition

- In healthtech, HealthNow has 800,000 customers, processing 15,000 to 20,000 medicine delivery orders daily. KonsultaMD exhibited strong growth with more than a doubling of revenue, reaching over 1 million members across 50,000 retail outlets nationwide.
- AdSpark, the largest locally-based ad agency, grew its revenues 32 percent to ₱1.2 billion.
- RUSH, the leading loyalty solutions provider in the Philippines, doubled its revenue in 2021 and has 3.8 million registered users.

Cost and Expenses

- Cost of sales and services increased 22 percent to ₱175.9 billion, in line with higher sale of goods and rendering services. As a percentage of total costs and expenses, this account was 85 percent and 82 percent on December 31, 2021 and December 31, 2020, respectively.
- General and administrative expenses decreased six percent to ₱30.3 billion due to cost-saving measures across business units, lower overhead costs in Ayala Land and AC Industrials offset by higher taxes and licenses in AC Energy. As a percentage of total cost and expenses, this account was 15 percent and 18 percent on December 31, 2021 and December 31, 2020, respectively.

Balance Sheet Highlights

- Total assets declined four percent to ₱1.35 trillion from end-2020 level mainly due to the 94 percent decrease of Assets under PFRS 5 to ₱12.4 billion because of the deconsolidation of Manila Water.
 - Cash & cash equivalents and Short-term investments jointly increased two percent to ₱91.4 billion resulting from dividend collection, proceeds from the SRO, FOO, and issuance of shares to GIC in ACEN, inflows from bond issuances in AC Energy, AYCFL, and AC, net borrowings of AC and certain BUs, and sale of receivables by ALI. These were partially offset by capital infusions, purchase of Ayala Land shares, redemption of treasury shares by AC and ALI, dividend payout, and payment of trade payables and lower cash collections in certain business units.
 - Noncurrent accounts and notes receivables increased 45 percent to ₱83.3 billion from higher accounts of AC Energy group.
- Investments in associates and joint ventures increased 15 percent to ₱294.1 billion due to retained investments in Manila Water, equity earnings partially offset by dividends from BPI and Globe, additional investments of Ayala Land and AC Energy, higher equity earnings from their investees, and restructuring of receivable to investment in BHL.
- Parent level cash stood at ₱20.2 billion (including AYCFL and ACIFL).
- Parent net debt stood at ₱115 billion (including AYCFL and ACIFL).
- Parent net debt-to-equity ratio stood at 90 percent.
- Consolidated net debt-to-equity stood at 68 percent.
- Loan-to-value ratio, the ratio of its parent net debt (excluding the fixed-for-life perpetuals which have no maturity) to the total value of its assets, was at 6.7 percent.
- Parent blended cost of debt at 4.3 percent ending December 2021, with average remaining life of 19.5 years.
- In 2021, the Ayala group's combined capital expenditure reached ₱228 billion and ₱18 billion at the parent level. Ayala parent capex was channeled mostly to the purchases of shares in Ayala Land.
- For 2022, Ayala has allocated ₱285 billion in group CAPEX, with ₱24 billion earmarked for Ayala parent to fund investment opportunities.

Key performance indicators of the Company and its significant subsidiaries

The table sets forth the comparative key performance indicators of the Company and its significant subsidiaries.

Ayala Corporation (Consolidated)

(In million Pesos, except ratios)

	2021	2020	2019
Revenue*	255,849	219,925	295,265
Net Income Attributable to Equity Holders	27,774	17,142	35,279
Total Assets	1,348,986	1,405,758	1,345,286
Total Debt	478,517	441,754	405,338

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Total Stockholders' Equity	565,313	542,422	509,314
Current Ratio ¹	1.85	1.64	1.51
Debt to Equity Ratio ²	0.85	0.81	0.80

**In 2021, 2020 and 2019, excludes MWC accounts which are shown as Operations of the segment under PFRS 5 (see Note 24 of the Group's consolidated financial statement)*

Ayala Land, Inc.

(In million Pesos, except ratios)

	2021
Revenue	103,788
Net Income Attributable to Equity Holders	12,228
Total Assets	745,464
Total Debt	223,097
Total Stockholders' Equity	270,502
Current Ratio ¹	1.58
Debt to Equity Ratio ²	0.82

Integrated Micro-Electronics, Inc.

(In thousand US dollars, except ratios)

	2021
Revenue	1,300,590
Net loss Attributable to Equity Holders	(10,565)
Total Assets	1,123,175
Total Debt	317,256
Total Stockholders' Equity	461,713
Current Ratio ¹	1.59
Debt to Equity Ratio ²	0.69

AC Energy, Inc.

(In million Pesos, except ratios)

	2021
Revenue	38,095
Net Income Attributable to Equity Holders	9,338
Total Assets	219,660
Total Debt	89,354
Total Stockholders' Equity	116,416
Current Ratio ¹	8.75
Debt to Equity Ratio ²	0.77

¹ Current Assets/ Current Liabilities.

² Total Debt/ Total Stockholders' Equity (Total Debt includes short term debt, long-term debt both current and noncurrent portion).

Please refer to pages 398-399 of the Prospectus for 2019 and 2020 Key Performance Indicators of the Company's significant subsidiaries.

Causes for any material variances

(Increase or decrease of 5% or more in the financial statements)

- A. The June 3, 2021 execution of Shareholders' Agreement among, Ayala, its wholly-owned subsidiaries, Philwater and ACEIC, and Trident Water Company Holdings Inc. as part of the closing actions for the latter's subscription to common shares in MWC (see Notes 2 and 24). This resulted in the deconsolidation of MWC as of mentioned date.

Prior to the above, the related subscription agreement between MWC and Prime Strategic Holdings, Inc. (previously Prime Metroline Holdings, Inc.) was originally signed in February 2020 which then resulted in the following classification of MWC accounts in the Ayala consolidated financial statements: assets/ liabilities under PFRS/ IFRS 5 in the Balance Sheet as of December 31, 2020; and operations under PFRS/ IFRS 5 in the Income Statement for period ending June 3, 2021 and December 31, 2020.

- B. The balance sheet accounts of GNPK from AC Energy group were similarly classified as assets and liabilities under PFRS/ IFRS 5 in 2020. Significant developments on this account are discussed in Notes 2 and 24 of the Group's December 31, 2021 consolidated financial statements.

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- C. Another key transaction that affected the Group's consolidated balance sheet and income statement is AC Health Group's consolidation of Qualimed/MGHI (see Notes 2 and 23). This resulted in higher balances for certain assets and liabilities accounts. In the income statement, revenues costs and expenses similarly increased due to this consolidation.
- D. The Covid-19 impacted the health and economy globally. Consequently, this affected the operations of the Group in year 2020 and ensued to year 2021 with continued restricted mobility and community quarantines.

Balance Sheet Items

As at December 31, 2021 vs. 2020

Cash & cash equivalents and Short-term investment – 2% increase from combined balance of ₱89,476 million to ₱91,415 million

Increase coming from: AC Energy's subsidiary, ACEN, as proceeds from SRO, FOO and issuance of shares to Arran/GIC; ACEIC's sale of ACEN shares to GIC; inflows from bond issuance of AC Energy, AYCFL and AC; net borrowings of AC and certain BUs; sale of receivable by ALI, dividend collection of AC. These were partly offset by: AC's capital infusions to investees, bonds and loan payments, purchase of additional ALI shares; dividend payout and redemption of treasury shares by AC and ALI; partially offset by declines in AC Industrials and AC Infra due to payment of trade and loans payables; and IMI's decrease due to capex and higher inventory purchases. These accounts comprise 7% and 6% of the total assets as of December 31, 2021 and 2020, respectively.

Accounts and notes receivable:

(in Millions)	December 2021	December 2020	% Inc (Dec)	% of Total Assets	
				December 2021	December 2020
Current	145,075	137,094	6%	11%	10%
Noncurrent	83,301	57,382	45%	6%	4%
Total	228,376	194,476	17%	17%	14%

Combined movements affected by increase of AC Energy's development loans to international investment and receivable from sale of GNPK, ALI's and IMI's higher revenues, consolidation of AC Health's Qualimed accounts and Philwater's receivable from sale of investment in preferred shares of MWC (see Note 2); partially offset by ALI's collections and sale of receivables and BHL's restructuring of receivable to investment in AJV account. These accounts are at 17% and 14% of the total assets as of December 31, 2021 and 2020, respectively.

Other current assets – 10% increase from ₱74,315 million to ₱81,942 million

Increase coming from ALI's higher advances and prepayments for unlaunched projects. This account is at 6% and 5% of the total assets as of December 31, 2021 and 2020, respectively.

Assets under PFRS 5 – 94% decrease from ₱196,137 million to ₱12,434 million

Decrease due to deconsolidation of MWC and partial sale of GNPK (see Notes 2 and 24). This account is at 1% and 14% of the total assets as of December 31, 2021 and 2020, respectively.

Investments in associates and joint ventures – 15% increase from ₱255,008 million to ₱294,063 million

Increase due to retained investments in MWCI (see Notes 2 and 24); equity earnings partly offset by dividends of Globe and BPI; AC Energy's and ALI's additional investments to and higher equity earnings from their investees; BHL's restructuring of receivable to investment account. This account is at 22% and 18% of the total assets as of December 31, 2021 and 2020, respectively.

Investment Properties – 9% increase from ₱226,457 million to ₱246,806 million

Increase attributable to ALI group's project construction completion of shopping center, offices, land acquisitions and capitalized borrowing cost. This account is at 18% and 16% of the total assets as of December 31, 2021 and 2020, respectively.

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Right-of-use (ROU) assets – 6% increase from ₱19,813 million to ₱20,997 million

Increase attributable to AC's ROU assets. This account is at below 2% of the total assets as of December 31, 2021 and 2020.

Service concession assets – 5% decrease from ₱1,556 million to ₱1,482 million

Decrease attributable to depreciation of service concession assets. This account is at below 1% of the total assets as of December 31, 2021 and 2020.

Intangible assets – 13% increase from ₱19,625 million to ₱22,128 million

Increase due to consolidation of AC Health's Qualimed. This account is at below 2% of the total assets as of December 31, 2021 and 2020.

Deferred tax assets-net – 11% increase from ₱14,634 million to ₱16,294 million

Increase attributable to ALI group. This account is at 1% of the total assets as of December 31, 2021 and 2020.

Other noncurrent assets – 19% increase from ₱58,852 million to ₱69,959 million

Increase pertains to AC Energy's additional investments in financial assets at amortized cost; partly offset by AYC's maturity of placements. The account also includes the Group's pension asset amounting to ₱68 million and ₱22 million in December 31, 2021 and 2020, respectively. This account is at 5% and 4% of the total assets as of December 31, 2021 and 2020, respectively.

Short-term debt – 7% increase from ₱32,440 million to ₱34,712 million

Increase due to borrowings of ALI and AC for payment of long-term debt and operational expansion; partially offset by AC Energy's, IMI's and AC Industrial's loan settlement. This account is at 4% of the total liabilities as of December 31, 2021 and 2020.

Accounts payable and accrued expenses – 5% decrease from ₱177,315 million to ₱168,751 million

Decrease mainly due to ALI's payment to suppliers and contractors; AC Industrial's and AC Energy's payment of accounts payable; partially offset by IMI's higher trade payables. This account is at 22% and 21% of the total liabilities as of December 31, 2021 and 2020, respectively.

Income tax payable – 58% decrease from ₱1,907 million to ₱803 million

Decrease attributable to ALI coming from lower tax rate due to CREATE law and AC Energy's payment of tax due. This account is at below 1% of the total liabilities as of December 31, 2021 and 2020.

Long-term debt:

(in Millions)	December 2021	December 2020	% Inc (Dec)	% of Total Liabilities	
				December 2021	December 2020
Current	31,494	36,514	-14%	4%	4%
Noncurrent	412,311	372,800	11%	53%	43%
Total	443,805	409,314	8%	57%	47%

Combined movements due to increase from AYCFL's additional loan drawdowns and FFL bond issuance partly used to settle maturing loans and maturing bonds; AC Energy's FFL bond issuance; AC's bond issuance and loan availments offset by settlement of maturing loans and bonds; AC Health's Qualimed accounts; and ALI's, IMI's and AC Industrials' loan availments. This account is at 57% and 47% of the total liabilities as of December 31, 2021 and 2020, respectively.

Lease liabilities:

(in Millions)	December 2021	December 2020	% Inc (Dec)	% of Total Liabilities	
				December 2021	December 2020
Current	2,110	1,445	46%	0%	0%
Noncurrent	25,504	22,672	12%	3%	3%
Total	27,614	24,117	15%	4%	3%

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Increase coming from AC, AC Energy group and AC Health's Qualimed accounts. This account is at 4% and 3% of the total liabilities as of December 31, 2021 and 2020, respectively.

Service concession obligation (current and noncurrent) – 17% increase from ₱86 million to ₱101 million

Increase from AC's concession obligation. This account is at below 1% of the total liabilities as of December 31, 2021 and 2020.

Other current liabilities – 13% increase from ₱26,596 million to ₱30,184 million

Mainly due to ALI's higher deposits, reservation fees and advance rental payments. This account is at 4% and 3% of the total liabilities as of December 31, 2021 and 2020, respectively.

Liabilities under PFRS 5 – 100% decrease from ₱124,291 million to nil

Decrease due to deconsolidation of MWC and GNPk (see Notes 2 and 24). This account is at nil and 14% of the total liabilities as of December 31, 2021 and 2020, respectively.

Pension liabilities¹² – 21% decrease from ₱5,093 million to ₱4,021 million

Decrease attributable to ALI's change in actuarial assumptions. This account is below 1% of the total liabilities as of December 31, 2021 and 2020.

Other noncurrent liabilities – 22% increase from ₱52,776 million to ₱64,502 million

Increase attributable to ALI's acquisition of parcel of land on installment and higher deferred revenues from property development. This account is at 8% and 6% of the total liabilities as of December 31, 2021 and 2020, respectively.

Share-based payments – 56% decrease from ₱103 million to ₱45 million

Decrease coming from issuance on the exercise of stock ownership plans of AC. This account is below 1% of the total equity as of December 31, 2021 and 2020.

Remeasurement losses on defined benefit plan – 24% decrease from negative ₱6,351 million to negative ₱4,798 million

Decrease due to remeasurement gain as result of adjustments on actuarial assumptions and factors. This account is at 1% of the total equity as of December 31, 2021 and 2020.

Fair value reserve of financial assets at FVOCI – 43x decrease from positive ₱41 million to negative (-) ₱1,721 million

Decrease due to BPI's lower marked to market valuation of its financial assets at FVOCI. This account is at below 1% of the total equity as of December 31, 2021 and 2020.

Cumulative translation adjustments (CTA) – 170% increase from negative (-) ₱1,636 million to positive (+) ₱1,138 million

Increase due to forex translation (movement in forex for PhP vs. USD) of the Ayala Group's business units with dollar functional currencies. Forex of PhP vs USD amounted to ₱50.999 in December 2021 vs. ₱48.023 in December 2020. This account is at below 1% of the total equity as of December 31, 2021 and 2020.

Equity reserve – 11% increase from ₱30,741 million to ₱34,263 million

Increase coming from AC Energy's change in ownership interest in ACEN as results of SRO, FOO, issuance of shares to GIC; and AC Energy's sale of secondary ACEN shares to Arran (see Note 2). This is partly offset by AC's purchase of ALI shares from stock market. This account is at 6% of the total equity as of December 31, 2021 and 2020.

¹² The Parent Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Parent Company, governed by a board of trustees appointed under a Trust Agreement between the Parent Company and the initial trustees. It holds common and preferred shares of the Parent Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee include the Parent Company's Chief Finance Officer, Group Head of Corporate Governance, General Counsel, Corporate Secretary and Compliance Officer, Head for Strategic Human Resources, Treasurer and Comptroller. ACEWRF has not exercised voting rights over any shares of the Parent Company that it owns.

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Retained Earnings – 9% increase from ₱238,073 million to ₱260,112 million

Increase due to overall growth in net income of the group. This account is at 46% and 44% of the total equity as of December 31, 2021 and 2020, respectively.

Treasury stock – 87% increase from ₱6,605 million to ₱12,383 million

Increase due to AC parent's buy-back of common shares (see Note 20). This account is 2% and 1% of the total equity as of December 31, 2021 and 2020, respectively.

Reserves under PFRS 5 – 100% increase from negative (-) ₱800 million to nil

Increase due to deconsolidation of MWC and GNPK (see Notes 2 and 24). This account is at below 1% of the total equity as of December 31, 2021 and 2020.

Income Statement items

For the Years Ended December 31, 2021 and 2020

Sale of goods and rendering of services – 17% increase from ₱193,622 million to ₱225,592 million

Increase due to ALI's higher bookings from residential business, incremental projects completion and construction service; IMI's better operation across all sites and ACI's higher vehicle sales as community quarantine ease-up; and higher revenues due to consolidation of AC Energy's Islasol & Sacasol and AC Health's Qualimed. As a percentage to total revenue, this account is at 88% in December 31, 2021 and 2020.

GNPK revenues from electricity sales of ₱4,409.0 million, other income of ₱15.3 million and administrative expenses of ₱2,849.1 million for the period ended September 30, 2021 were recognized in the consolidated income statement (see Note 24).

Share in net profits of associates and joint ventures (AJVs) – 33% increase from ₱17,616 million to ₱23,385 million

Increase due to AC Energy's higher equity in net earnings resulting from GNPD's liquidating damages; Globe's higher revenues from home broadband and lower income tax as impact of the CREATE law (see Note 25); BPI's lower provision for losses for the year; and better performance from ALI's AJVs. Also, includes share in net earnings of MWC from June to December 2021. As a percentage to total revenue, this account is at 9% and 8% in December 31, 2021 and 2020, respectively.

Interest income:

(in Millions)	December 2021	December 2020	% Inc. (Dec)
Interest income from real estate	6,801	8,603	-21%
Interest income from non-real estate	5,078	3,184	59%
Total	11,879	11,787	1%

Combined movements of interest income from real estate and others resulted to slight increase of 1% only.

Cost of goods sold and rendering services – 22% increase from ₱144,181 million to ₱175,895 million

Increase resulting from improvements in sales as explained above plus impact of generally higher prices for direct costs and overhead of various BUs, higher trading costs and high-priced purchases of electricity coupled with plant downtimes. As a percentage to total costs and expenses, this account is at 85% and 82% in December 31, 2021 and 2020, respectively.

General and administrative expenses – 6% decrease from ₱32,326 million to ₱30,301 million

Decrease due to ALI's and ACI's lower overhead cost; and cost savings measures across BUs; partly offset by increase in AC Energy due to higher taxes and licenses. As a percentage to total costs and expenses, this account is at 15% and 18% in December 31, 2021 and 2020, respectively.

Dividend and other income – 145% increase from ₱6,209 million to ₱15,193 million

Increase coming from AC Energy's gain on disposal of partial interest in GNPK as well as remeasurement gain on the fair value adjustment of its remaining interest (see Note 24); negative

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goodwill or gain from computed notional purchase price allocation (i.e., AC's share in the fair value of net identifiable assets vs. the book value of retained interest in MWC); and step-up gain on the acquisition of Qualimed; partly offset by the impact of last year's higher other income of AC Energy arising from liquidated damages on delayed completion of GNPK plant and marked to market gains on financial assets at FVTPL.

Provision for income tax (current and deferred) – 6% decrease from ₱5,239 million to ₱4,912 million
Decrease mainly due to impact of CREATE law (see Note 25).

Operations of the segment under PFRS 5 – 119% decrease from net income of ₱9,797 million to net loss of ₱1,814 million

Includes the net income after tax of MWC less consolidation adjustments. Decrease mainly due to lower billed volume and remeasurement loss. In addition to the remeasurement loss taken up in years 2019 and 2020, an amount of ₱3.1 billion was recognized for the period ending June 3, 2021, which formed part of the GAE of operations of the segment under PFRS 5 (Note 24).

Income attributable to owners of the parent – 62% increase from ₱17,142 million to ₱27,774 million

Increase coming from better results of most of the investees plus the AC Energy's gain on disposal and remeasurement gain in GNPK and AC's gain on retained interest of MWCI, as mentioned above. As a percentage to total net income, this account is at 77% and 59% in December 31, 2021 and 2020, respectively.

Income attributable to non-controlling interests – 32% decrease from ₱12,129 million to ₱8,262 million

Decrease coming from share in the remeasurement loss in MWC partly offset by share in net income results of non-wholly owned subsidiaries. As a percentage to total net income, this account is at 23% and 41% in December 31, 2021 and 2020, respectively.

Outlook for 2022

2021 continued to be a challenging year for the Philippines as the COVID-19 pandemic widened its spread. Quarantine measures throughout the year fluctuated with the rise and fall of daily infections, affecting the flow of mobility, business operations, and social activity. Despite the volatility, enterprises and individuals alike grew more accustomed to such circumstances, resulting in a generally more stable and predictable economic environment over the year. This was helped in large part by an improvement in vaccination rates when the government's inoculation program kicked off in March. By the end of the year, over half of the Philippine population was vaccinated.

The improvement in the country's health response and inoculation rate was evident in economic growth. GDP grew by 5.6% last year, reversing from a 9.6% decline in 2020 despite the higher number of COVID-19 cases in 2021. As both individuals and enterprises adopted to the consequences of the pandemic, mobility improved and so did business stability. By the final quarter of the year, mobility levels in the country returned to their pre-pandemic levels and GDP growth was at 7.7%. That said, the Company acknowledge the pervading risks, perhaps foremost of which is the present conflict between Russia and Ukraine. We are keenly monitoring its impact and are watchful of how this could affect the momentum of recovery, particularly in the form of rising oil prices, its effect on interest rates, exchange rates, and inflation, and ultimately, disposable income and consumption. The BPI Global Market team categorized its outlook into central, moderate, and adverse scenarios that correspond to the average WTI oil price per barrel at US\$75, US\$100, and US\$115. Depending on the average price at year-end, it expects a real GDP growth for 2022 of 7.3%, 5.7%, and 4.6%, respectively.

A trend the Company has seen strengthen throughout the year is the adoption of digitalization. Both consumers and businesses have turned to digital channels to improve business continuity amidst restricted mobility. While quarantine measures have eased, Ayala has seen a stickiness in the use of digital channels, which we expect to continue. Enterprises are focusing their efforts on driving activity to the digital front as digital adoption has become ingrained in consumer behavior.

Another notable area of strength in 2021 was remittances which remained robust despite the infection surges experienced throughout the year; the annual tally hit an all-time high of US\$34.1 billion. On a related note, Ayala sees the USD/PHP rate breaching the ₱52.8 level in 2022 as imports recover with

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improving consumption on a central case scenario. BPI Global Markets expects this to move up to ₱53.7 and ₱54.5 for moderate and adverse cases, respectively.

With support to businesses critical at this point, the *Bangko Sentral ng Pilipinas* has kept interest rates at their record low of 2.00%. However, as economic conditions improve and to temper inflation, BPI Global Markets expects three rate hikes coming in this year in a central scenario, bringing interest rate to 2.75%. However, it anticipates bigger rate hikes following moderate and adverse scenarios, which correspond to year-end rates to be at 3.25% and 3.50%, respectively. Alongside this, it sees a percentage point cut to the required reserve ratio, bringing the figure to 11% from the current 12%.

In this light, Ayala has budgeted a total of ₱285 billion in capital expenditures this year, 25% higher than what was deployed in 2021. With guarded optimism, we hope that looser quarantine restriction today will help boost our path towards recovery, but at the same time are cognizant of the risks that the current geopolitical landscape, particularly the conflict between Russia and Ukraine, may bring.

Ayala maintains a healthy balance sheet with access to various funding options to meet requirements. A robust risk management system allows the Company to maximize opportunities for reinvention, and navigate the challenges faced by its business units.

2020 vs 2019 Highlights

Please refer to pages 392-406 of the Prospectus.

2019 vs 2018 Highlights

Please refer to pages 406-419 of the Prospectus.

MANAGEMENT

Board of Directors

Ayala's Board has seven (7) members, all of whom are elected by Ayala's stockholders holding shares with voting rights at the stockholders' annual meeting. The Directors hold office for one (1) year and until their successors are elected and qualified in accordance with Ayala's By-Laws.

The Board regularly meets at least six (6) times every calendar year. It ensures the presence and adequacy of internal control mechanisms for good governance in accordance with the Company's Revised Manual of Corporate Governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but are not limited to:

- a. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
- b. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
- c. Appointing a CEO with the appropriate ability, integrity and experience to fill the role, as well as defining the CEO's duties and responsibilities;
- d. Reviewing proposed senior management appointments;
- e. Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Company's personnel and human resources policies, compensation plan and the management succession plan;
- f. Institutionalizing the internal audit function; and
- g. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

On May 18, 2009, the SEC approved the amendment of the by-laws of the Company on the adoption of the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors). The Company always undertakes to abide by SRC Rule 38 on the required number of independent directors, subject to any revision that may be prescribed by the SEC.

As of December 31, 2021, the composition of the Board and the list of Executive Officers are as follows:

Board of Directors

Jaime Augusto Zobel de Ayala	Chairman of the Board
Fernando Zobel de Ayala	Vice Chairman of the Board, President and Chief Executive Officer
Cezar P. Consing	Non-Executive Director
Delfin L. Lazaro	Non-Executive Director
Keiichi Matsunaga ¹³	Non-Executive Director
Antonio Jose U. Periquet ¹⁴	Independent Director
Rizalina G. Mantaring	Independent Director

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 the directors and executive officers.

Jaime Augusto Zobel de Ayala, Filipino, 63, Director of Ayala Corporation since May 1987. He is the Chairman of Ayala Corporation since April 2006. He was the Chief Executive Officer from 2006 to April 2021. He holds the following positions in publicly listed companies: Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.). He is also the Chairman of AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of AC Ventures Holding Corp., Alabang Commercial Corporation, AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala

¹³ Effective April 22, 2022, Mr. Keiichi Matsunaga was replaced by Ms. Chua Sock Koong (see "Executive Summary—"Recent Developments.")

¹⁴ Effective April 22, 2022, Mr. Antonio Jose U. Periquet was replaced by Mr. Cesar Purisima (see "Executive Summary—"Recent Developments.")

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Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Ltd. Outside the Ayala Group, he is a Director of Temasek Holdings (Private) Limited and a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He is a member of the Board of Governors of the Asian Institute of Management, the Advisory Board of Asia Global Institute (University of Hong Kong) and of various advisory boards of Harvard University, including the Global Advisory Council, Asia Center Advisory Committee, HBS Board of Dean's Advisors, and HBS Asia- Advisory Committee. He sits on the Board of Singapore Management University (SMU) and is a Chairman of SMU International Advisory Council in the Philippines. He is a member of the Asia Business Council, Asean Business Club Advisory Council, Leapfrog Investment Global Leadership Council, The Council for Inclusive Capitalism, and World Wildlife Philippines National Advisory Council. He is Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and Trustee Emeritus of Eisenhower Fellowships. He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Fernando Zobel de Ayala, Filipino, 62, Director of Ayala Corporation since May 1994. He is the President of the Company since 2006 and the Chief Executive Officer since April 2021. He was Chief Operating Officer from April 2006 to April 2021. He holds the following positions in publicly listed companies: Chairman of Ayala Land, Inc., and AC Energy Corporation (formerly AC Energy Philippines, Inc.); and Director of Bank of the Philippine Islands, Globe Telecom, Inc. Manila Water Company, Inc., and Integrated Micro- Electronics, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Alabang Commercial Corporation, Accendo Commercial Corp., BPI Foundation, and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., ALL Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc. AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of AG Holdings Ltd., AC Infrastructure Holdings Corporation, Altaraza Development Corporation, Asiacom Philippines, Inc., BPI Asset Management and Trust Corp. and Manila Peninsula; Member of the Board of INSEAD Business School and Georgetown University; Member of the Board of Trustees of Asia Philanthropy Circle, and Asia Society; Member of International Advisory Board of Tikehau Capital; Member of the Philippine-Singapore Business Council; Member of the International Council of The Metropolitan Museum; Co-Chair of Asia Pacific Acquisitions Committee of the Tate Museum; Member of the Chief Executives Organization and Habitat for Humanity International's Asia-Pacific Development Council; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Delfin L. Lazaro, Filipino, 75, Non-Executive Director of Ayala Corporation since January 2007. He holds the following positions in publicly listed companies: Director of Integrated Micro-Electronics, Inc., and Globe Telecom, Inc.; and Independent Director of Monde Nissin Corporation. His other significant positions include: Chairman of Atlas Fertilizer & Chemicals Inc., Chairman and President of A.C.S.T. Business Holdings, Inc. and AYC Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Industrial Technology Holdings, Inc., AC International Finance, Ltd., Purefoods International Limited and Probe Productions, Inc. He is an Independent Adviser to the Board of Directors of Ayala Land, Inc. and a member of the BPI Advisory Council. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Keiichi Matsunaga, Japanese, 57, has been a Director of Ayala Corporation since April 2017. He is the General Manager of Mitsubishi Corporation Manila Branch. Currently, he is also the Chairman of International Elevator & Equipment Inc.; President of MC Diamond Realty Investment Phils., MC Oranbo Investment, MC Cavite Holdings, Inc., FMT Kalayaan, Inc., Japanese Chamber of Commerce

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& Industry of the Philippines (JCCIP) and Director of Century City Development II Corporation (CCDC II), Isuzu Philippines Corporation, Kepco Ilijan Corporation, Portico Land Corp., Tanza Properties I, Inc., Tanza Properties II, Inc. and Tanza Properties III, Inc., and The Japanese Association Manila, Inc. (JAMI). He is not a director of any publicly listed company in the Philippines other than Ayala Corporation. He entered Mitsubishi Corporation after graduating from the Faculty of Law at Waseda University in 1988 and has since held various leadership positions.

Cezar P. Consing, Filipino, 62, has been a Director of Ayala Corporation since December 3, 2020. He has been a member of the Ayala Group Management Committee since April 2013. He is a Director of the publicly-listed subsidiaries of Ayala Corporation: Bank of the Philippine Islands (BPI), Globe Telecom, Inc. and AC Energy Corporation. He is the Chairman of Philippine Dealing System Holdings and its three operating subsidiaries. He is also a Director of the Singapore-listed Yoma Strategic Holdings Ltd., and the Myanmar-listed First Myanmar Investment Public Company Limited. Mr. Consing was a Senior Managing Director of Ayala Corporation and President and CEO of BPI from 2013 to 2021. In the latter capacity, he served as the chairman of BPI's thrift bank, investment bank, UK-registered bank, microfinance bank, property and casualty insurance joint venture and leasing and rental joint venture and board director of its asset management company and its life insurance joint venture. He is currently a member of BPI's executive committee of the board and is a board director of its investment bank, microfinance bank and asset management company. He served as the Chairman and President of the Bankers Association of the Philippines and was the President of Bancnet, Inc. He was a Partner at the Rohatyn Group from 2004 to 2013 and headed its Hong Kong office and its private investing business in Asia and was a board director of its real estate and energy and infrastructure private equity investing subsidiaries. He worked for J. P. Morgan & Co. in Hong Kong and Singapore from 1985 to 2004 and headed the firm's investment banking business in Asia Pacific from 1997 to 2004 and served as President of J. P. Morgan Securities (Asia Pacific) Ltd. As a senior Managing Director, Mr. Consing was a member of the firm's Global Investment Banking Management Committee, its Asia Pacific Management Committee, and its Global Managing Director Selection Committee. He worked for BPI from 1981 to 1985, as a Management Trainee and eventually as Assistant Vice President. He has served as an independent board director of four publicly listed companies in Asia: Jollibee Foods Corporation (2010 to 2021), CIMB Group Holdings (2006 to 2013), First Gen Corporation (2005 to 2013), and National Reinsurance Corporation (2014 to 2019), where he also served as Chairman (2018 to 2019). He currently serves on the board of FILGIFTS.com. He has also served on the boards of SQREEM Technologies, Endeavor Philippines and the Hongkong based Asian Youth Orchestra. He is a board director of the US-Philippines Society and the Philippine-American Educational Foundation, and a board trustee of the Manila Golf Club Foundation. He is a member of the National Mission Council of De La Salle Philippines and a board trustee of College of St. Benilde and La Salle Greenhills. Mr. Consing has been a member of the Trilateral Commission since 2014. Mr. Consing received an A.B. Economics degree (Accelerated Program), magna cum laude, from De La Salle University in 1979. He obtained an M.A. in Applied Economics from the University of Michigan in 1980.

Antonio Jose U. Periquet, Filipino, 61, Independent Director of Ayala Corporation since September 2010 and Lead Independent Director since December 3, 2020. He is the Chairman and CEO of AB Capital & Investment Corporation, and Chairman of the Campden Hill Group, Inc. Mr. Periquet is also an Independent Director of DMCI Holdings Corporation, Max's Group of Companies, Philippine Seven Corporation, Semirara Mining and Power Corporation and Universal Robina Corporation, and a Member of the Board of Advisers of ABS-CBN Corporation and Bank of the Philippine Islands. He is a trustee of Lyceum of the Philippines University and a member of the Dean's Global Advisory Council at the University of Virginia's Darden School of Business. Mr. Periquet holds an AB Economics degree from the Ateneo de Manila University, a Master of Science (Econ) degree from Oxford University, UK, and an MBA from the University of Virginia, USA.

Rizalina G. Mantaring, Filipino, 62, has been an Independent Director of Ayala Corporation since April 24, 2020. Concurrently, she is also a Director of Sun Life Grepa Financial, Inc. and an Independent Director of Ayala Land, Inc., First Philippine Holdings Corp. Inc., PHINMA Corp. Inc., Universal Robina Corp. Inc., East Asia Computer Center Inc. and Microventures Foundation Inc. She is also a member of the Boards of Trustees of the Makati Business Club, and Philippine Business for Education. She was Chief Executive Officer and Country Head of Sun Life Financial Philippines, the country's leading insurer, prior to which she was Chief Operations Officer, Sun Life Asia, responsible for IT & Operations across Asia. She was a recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network CNBC. She was selected as one of the 100

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Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering, and was 2019 PAX awardee of St. Scholastica's College Manila, the highest award given by the school to outstanding alumni. She holds a BS Electrical Engineering degree, cum laude, from the University of the Philippines and an MS Computer Science from the State University of New York at Albany.

Executive Officers

Ayala Group Management Committee Members / Senior Leadership Team

*/**	Fernando Zobel de Ayala	Vice Chairman, President and Chief Executive Officer
**	Jose Rene Gregory D. Almendras	Senior Managing Director, Public Affairs Group Head, President and CEO of Manila Water Company, Inc. and CEO of AC Infrastructure Holdings Corporation
***	Alberto M. de Larrazabal	Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, Finance Group Head
**	Bernard Vincent O. Dy	Senior Managing Director, President and CEO of Ayala Land, Inc.
**	Jose Teodoro K. Limcaoco	Senior Managing Director, President and CEO of BPI
**	Arthur R. Tan	Senior Managing Director, Vice Chairman and CEO of Integrated Micro-Electronics, Inc. and President and CEO of AC Industrial Technology Holdings, Inc.
**	Ernest Lawrence L. Cu	President and CEO of Globe Telecom, Inc.
/	Alfredo I. Ayala	Managing Director, President and Chief Operating Officer of iPeople, Inc.
***	Paolo Maximo F. Borromeo	Managing Director, Corporate Strategy and Development Group Head, President and CEO of Ayala Healthcare Holdings, Inc.
**	John Eric T. Francia	Managing Director, President and CEO of AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.).
***	Solomon M. Hermosura	Managing Director, Chief Legal Officer, Corporate Secretary, Chief Compliance Officer, Data Protection Officer, and Corporate Governance Group Head
**	Ruel T. Maranan	Managing Director, President of Ayala Foundation, Inc.
***	John Philip S. Orbeta	Managing Director, Chief Administrative Officer, Chief Human Resources Officer, Chief Risk Officer of AC Energy Corporation
	Catherine H. Ang	Executive Director and Chief Audit Executive
	Estelito C. Biacora	Executive Director and Treasurer
	Josephine G. De Asis	Executive Director and Controller
	Rosario Carmela G. Austria	Assistant Corporate Secretary
	Jaime Augusto Zobel de Ayala	Advisor to the Management Committee
* <i>Members of the Board of Directors.</i>		
** <i>Ayala Group Management Committee members.</i>		
*** <i>Ayala Corporation Management Committee and Ayala Group Management Committee members</i>		
**** <i>president and chief operating officer of iPeople, Inc. as of February 2022.</i>		

Jose Rene Gregory D. Almendras, Filipino, 62, concurrently serves as Senior Managing Director of Ayala Corporation (AC), Director of Manila Water Company, Inc. (MWCI) and President & Chief Executive Officer of AC Infrastructure Holdings Corporation (AC Infra). He is also a member of the Ayala Group Management Committee since August 2016. He is a member of the Executive Committee of MWCI and a member of the Board of Directors of the following companies within the Ayala Group: AF Payments Inc.; Light Rail Manila Holdings, Inc.; and MCX Tollway Inc. He is the Chairman and President of AC Logistics Holdings Corporation and MCX Project Company, Inc. He served as President and Chief Executive Officer of MWCI from September 1, 2019 to June 4, 2021. He spent 13 years with the Citibank group where he started as a management trainee and landed his first CEO position as President of City Savings Bank of the Aboitiz Group at the age of 37. In 2011, he was recognized by the World

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Economic Forum as a Sustainability Champion for his efforts as President of MWCI. During his stint as MWCI President and Chief Operating Officer, the company received multiple awards and was recognized as one of the Best Managed Companies in Asia, Best in Corporate Governance, one of the Greenest Companies in the Philippines and hailed as the world's Most Efficient Water Company. Under the Administration of President Benigno S. Aquino III, He served as a member of the Cabinet holding the position of Secretary of the Department of Energy, Office of the Cabinet Secretary and the Department of Foreign Affairs. In June 2016, he was acknowledged by the Administration for his remarkable performance in addressing the country's urgent issues and was awarded the highest Presidential Award given to a civilian - Order of Lakandula, Rank of Gold Cross Bayani. He graduated from Ateneo de Manila University with a degree in Bachelor of Science in Business Management in 1981.

Alberto M. de Larrazabal, Filipino, 66, is a Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head of Ayala Corporation since 23 April 2021. He is a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee. He is also a Director of Integrated Micro-Electronics, Inc. He is the Chairman, President and CEO of AC Ventures Holdings Corp., Chairman of Darong Agricultural and Development Corporation; President and CEO, AYC Finance Limited, Livelt Investments Limited, Azalaea International Venture Partners Limited, AC International Finance Limited, PFIL North America, Inc. (PFIL NA), and Bestfull Holdings Limited; Vice Chairman of Lagdigan Land Corporation; President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc.; Director of Ayala Hotels, Inc., AC Infrastructure Holdings Corporation, Ayala Healthcare Holdings, Inc., AC Energy International, Inc., AC Industrial Technology Holdings, Inc., AC Logistics Holdings Corporation, Affinity Express Holdings Limited, Ayala Aviation Corporation, Asiacom Philippines, Inc., Ayala Group Legal, HealthNow, Inc., Michigan Holdings, Inc., A.C.S.T Business Holdings, Inc., Pioneer Adhesives, Inc., BF Jade E-Services Philippines, Inc., Cartera Interchange Corporation, AYC Holdings Limited, AG Holdings Limited, Fine State Group Limited, AG Region Pte. Ltd., Ayala International Holdings Limited, Ayala International Pte. Ltd., Strong Group Limited, Total Jade Group Limited, VIP Infrastructure Holdings Pte. Ltd., Purefoods International Limited ("PFIL NA") and AI North America, Inc. Prior to joining Ayala, he was Globe's Chief Commercial Officer ("CCO"). As CCO, Mr. de Larrazabal oversaw the integration and execution of Globe's strategies across all commercial units, including marketing, sales and channels, and product development for all segments of business. He joined Globe in June 2006 as Head of the Treasury Division. He became Globe's Chief Finance Officer in April 2010 then Chief Commercial Officer in November 2015. He had over two decades of extensive experience as a senior executive in Finance, Business Development, Treasury Operations, Joint Ventures, Mergers and Acquisitions, as well as Investment Banking and Investor Relations. Prior to joining Globe, he held such positions as Vice President and CFO of Marsman Drysdale Corp., Vice President and Head of the Consumer Sector of JP Morgan, Hong Kong, and Senior Vice President and CFO of San Miguel Corporation. He holds a Bachelor of Science degree in Industrial Management Engineering from De La Salle University.

Bernard Vincent O. Dy, Filipino, 58, is a Senior Managing Director of Ayala Corporation and has been a member of the Ayala Group Management Committee since April 2014. He is the President and Chief Executive Officer of Ayala Land (ALI). He is also a Director of publicly listed companies, AREIT, Inc., AyalaLand Logistics Holdings Corp., and MCT Bhd of Malaysia. 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 Alviera 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., AyalaLand Premier, 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 Bachelor's

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Degree in Business Administration from the University of Notre Dame in 1985, He received his MBA in 1989 and MA International Relations in 1997, both at the University of Chicago.

Jose Teodoro K. Limcaoco, Filipino, 59, is a Senior Managing Director of Ayala Corporation and is the President and Chief Executive Officer of Bank of the Philippine Islands (BPI) since April 22, 2021. He served as the Chief Finance Officer and Finance Group Head of Ayala Corporation from April 2015 to 21 April 2021. He was also the Chief Risk Officer from April 2015 to April 2021 and Sustainability Officer of Ayala Corporation from April 2016 to April 2021. He is the Chairman of FTL Holdings Corp., BPI Family Savings Bank Inc., BPI Capital Corporation, BPI Asset Management & Trust Corp, BPI Philamlife Assurance Corporation, and BPI/MS Insurance Corporation; Vice Chairman of BPI Century Tokyo Lease & Finance Corp. and BPI Century Tokyo Rental Corp. He is the Vice Chairman and President of BPI Foundation, Inc. He is a Trustee of Ayala Group Club, Inc. He is a Director of AC Energy International, Inc. (formerly Presage Corporation), Globe Fintech Innovations Inc. He is a Director and Treasurer of Just For Kids, Inc. and Olimpia Condo Corporation. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of [myAyala.com](https://myayala.com), and CFO of Azalea Technology Investments, Inc. He served as the President of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2017. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Arthur R. Tan, Filipino, 62, has been a Senior Managing Director of Ayala Corporation since January 2007 and has been a member of the Ayala Group Management Committee since 2002. He has been the Chief Executive Officer of IMI, a publicly listed company, since April 2002. He was re-elected as President of IMI effective 1 January 2020 and served as such until 28 June 2021. He was elected as Vice Chairman of IMI on 28 June 2021. Concurrently, he is also the Chairman of the Board and Chief Executive Officer of Merlin Solar Technologies (Phils.), Inc. He is the Chairman of the Board of PSi Technologies Inc. He is the Group President and CEO of AC Industrial Technology Holdings, Inc.; President & CEO of Speedy-Tech Electronics, Ltd., Director of Surface Technology International, Ltd. and American Motorcycles Inc.; Member of the Board of Advisors of Via Optronics; Chairman of the Advisory Board of MT-CCON Technologies; Chairman and CEO of AC Motors and Skyeeye Analytics, Inc.; and an Independent Board Member of SSI Group, Inc., Lyceum of the Philippines University, and East Asia Computer Center/FEU Institute of Technology. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.

Ernest Lawrence L. Cu, Filipino, 61, has been a member of the Ayala Group Management Committee since January 2009. He is the President and Chief Executive Officer of Globe Telecom, Inc., a publicly listed company. He is a trustee of Ayala Foundation, Inc. and Hero Foundation, Inc. He is the Chairman of 917Ventures In., Adspark Holdings, Inc., Globe Capital Venture Holdings, Inc., Globe Fintech Innovations, Inc. and Techglobal Data Center, Inc.; Director of AF Payments, Inc., Asiacom Philippines, Bayan Telecommunications, Inc., Bridge Mobile Alliance, CaelumPacific Corp., GTI Business Holdings Inc., Innove Communications Inc., Kickstart Ventures, Inc., and Prople BPO Inc., Concetti Global Inc., and EDC Ventures Corporation. He also sits in the board of directors of Nasdaq-listed LivePerson, Inc. Prior to joining Globe, he was the President and CEO of SPI Technologies, Inc. Ernest was recently hailed as the Best Telecommunications CEO at the 2021 International Finance Awards. Definitely not a first for Cu, who was also named as Asia's Best CEO by Corporate Governance Asia at their 10th Asian Excellence Awards in 2020, and CEO of the Year at the Asia Communications Awards in 2017. Also in 2017, Cu was hailed as the Philippines' Best CEO by Finance Asia; this is a second for Cu, who first received the award in 2010. For five straight years (2013 to 2017), Cu was included in the list of 100 most influential telecom leaders worldwide by London-based Global-Telecoms Business Magazine Power 100. Frost & Sullivan Asia Pacific has also named him CEO of the Year twice, first in 2012, and again in 2017. He earned a degree in BS Industrial Management Engineering from De La Salle

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University in 1982 and took his Master's Degree in Business Administration at the J.L. Kellogg Graduate School of Management in 1984.

Alfredo I. Ayala, Filipino, 61, has been a Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee since June 2006. He is the President and Chief Operating Officer of iPeople, Inc., Ayala Corporation's investment in the education sector, in partnership with House of Investments, Inc. He is also the President, Director of Livelt Investments Limited, Ayala Corporation's holding company for its business processing outsourcing. Currently, he also holds the following positions: Director of Affinity Express Holdings, Ltd., Azalea International Venture Partners Limited, Malayan Education System Inc. (operating under the name Mapua University), Malayan Colleges Laguna, Malayan Colleges Mindanao and Malayan High School of Science; Chairman and President of AC College of Enterprise and Technology, Inc., National Teachers College, and LINC Institute; Chairman of Affordable Private Education Center, Inc. and Newbridge International Investments Limited; Chairman of University of Nueva Caceres; Vice Chairman and Vice President of Affinity Express Philippines, Inc.; Trustee of Ayala Foundation, Inc. and Director of Nationwide Development Corp and Hybrid Social Solutions. He is also a Trustee of Philippine Business for Education (PBEd) and a member of PBEd's National Industry Academe Council and Brown University's Center for Human Rights and Humanitarian Studies' Global Advisory Board, and a former Chairman of the IT and Business Process of the Philippines. He has an MBA from the Harvard Graduate School of Business Administration in 1987 and B.A. in Development Studies (Honors) and Economics from Brown University in 1982.

Paolo Maximo F. Borromeo, Filipino, 44, has been a Managing Director since January 2016 and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since September 2014. He has served as Group Head of Corporate Strategy and Development of the Company since September 2014. In his role, he oversees the group corporate planning process, portfolio strategy, innovation projects, data and analytics, new business development and special projects. In addition, he is the President and CEO of Ayala Healthcare Holdings Inc. (ACHealth). He is Chairman of Healthway Philippines, Inc., Qualimed Hospital Group I.E. Medica, Inc., and Medethix, Inc. He is a Vice Chairman of the Generika Group of Companies. He also sits on the board of AC Ventures Holding Corp., AC Industrial Technology Holdings Inc., Ayala International Holdings Limited, AG Holdings, and AC Logistics Holdings Corporation. He is also a director at Yoma Strategic Holdings, the Singapore-listed holding company of the Yoma Group of Myanmar. Prior to joining Ayala, he was a Principal at Booz & Company, a global strategy consulting firm, based in San Francisco, California, USA. He obtained his Bachelors of Science degree in Management Engineering from the Ateneo de Manila University and his Master's in Business Administration with honors from the Wharton School at the University of Pennsylvania.

John Eric T. Francia, Filipino, 50, has been a Managing Director and a member of the Ayala Group Management Committee since January 2009 and was appointed as Chairman of the Investment Committee in 2021. He is the President and Chief Executive Officer of ACEN. Under his leadership, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms in Southeast Asia, with over 2000 MW of attributable renewables capacity. He is also a Director of various Ayala group companies including AC Infrastructure, AC Health, AC Ventures, and as Chairman of ACE Enexor. He earned his Master's Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors in 1995. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude in 1993.

Solomon M. Hermosura, Filipino, 59, has served as Managing Director of Ayala Corporation since 1999 and a member of the Ayala Corporation Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, and the Chief Legal Officer, Chief Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He 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.), AREIT, 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.

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Ruel T. Maranan, Filipino, 59, has been a Managing Director of Ayala Corporation since January 2015. He has served as President of Ayala Foundation, Inc. since March 1, 2015. He is Vice Chairman of the Board of Trustees of Ayala Multi-Purpose Cooperative. He is also a member of the board of directors of Asticom Technology, Inc., Asti Business Services, Inc., and, People's Management of the Philippines Foundation and is also part of the board of advisers of the Natasha Goulbourn Foundation. He serves as the Chairman of the Board of Trustees of Fiber Infrastructure Networking Services, Inc. and member of the board of representatives of CIFAL Philippines. From 2004 to 2014, he was the Group Director of Manila Water Company's Corporate Human Resources Group. In Manila Water, he introduced numerous innovations in human resources management, rallying behind the company's being the first Filipino company to win the prestigious Asian Human Capital Award in 2011, an award sponsored by the Singapore Ministry of Manpower, CNBC Asia-Pacific, and INSEAD. Through his leadership in human resources, Manila Water was named the 2006 Outstanding Employer of the Year by the People Management Association of the Philippines. Before joining Manila Water, he was with Globe Telecom, Inc., Vitarich Corporation, and Integrated Farm Management, among others. Mr. Maranan earned his AB Social Sciences degree from the Ateneo de Manila University and his law degree from the University of Santo Tomas. He has also completed the Harvard Leadership Management Program. In 2016, he received a UST Outstanding Alumni Award (Private Sector).

John Philip S. Orbeta, Filipino, 60, served as Managing Director and member of the Ayala Corporation Management Committee from May 2005 to December 31, 2021 and of the Ayala Group Management Committee from April 2009 to December 31, 2021. He was Ayala Corporation's Chief Human Resources Officer (CHRO) and Group Head for Corporate Resources, covering Strategic Human Resources, Information & Communications Technology, Knowledge Management, and Corporate Support Services from January 2008 until September 2021. He is currently the Chief Administrative Officer (CAO), Chief Human Resource Officer (CHRO), and Chief Risk Officer (CRO) of AC Energy Corporation where he also serves as Director. He is also a Director of AC Energy Endeavor, Inc., AC Energy Shared Services, Inc., Ayala Group Legal, and AC Industrial Technology Holdings, Inc. He is also the Chairman of Ayala Multipurpose Cooperative. He sits on the Board of Ayala Automotive Holdings and HCX Technology Partners. He also serves as Trustee of Ayala Young Leaders Alumni Association, Inc., World Archery Philippines, La Salle University Ozamis, and National Mission Council of De La Salle Philippines, Inc. He served as President and CEO of various Automotive Companies of the Ayala Group from 2013 to 2016. He was the Chairman and President of HCX Technology Partners, Inc. from September 2016 until November 2021 and President of Ayala Retirement Fund Holdings, Inc. from July 2021 to February 2022. He was Chairman of Ayala Group HR Council, Ayala Aviation Corporation Ayala Group Corporate Security Council, Ayala Business Clubs; and Vice-Chairman of Ayala Group Club, Inc. He was a Director of Honda Cars Cebu, Inc., Isuzu Cebu, Inc., BPI Family Savings Bank, Inc., Ayala Foundation, Inc., Ayala Healthcare Holdings, Inc., Healthway Medical, Inc., and the Generika Group of Companies. He also served as a Director and Chairman of the Audit Committee of the ALFM group of funds which included the ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., Philippine Stock Index Fund, Corp., as well as the ALFM Global Multi-Asset Income Fund, Inc., ALFM Retail Corporate Fixed Income Fund, Inc., and ALFM Fixed Income Feeder Fund, Inc. He was also a Trustee of De La Salle University Dasmarinas Cavite and the De La Salle Health Sciences Institute, and the Weather Philippines Foundation, Inc. He was also a Board of Governors of the Management Association of the Philippines from Jan 2019 until December 2020. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services, and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982 and has taken advanced management programs at the Harvard Business School, IMD and INSEAD.

Catherine H. Ang, Filipino, 51, is an Executive Director and has served as the Chief Audit Executive of Ayala Corporation since July 2013. She joined the Company in February 2012 as Head for Risk Management and Sustainability. Currently, she also holds the following positions: Director of Technopark Land, Inc., Audit and Risk Committee Chairman of Entrego Fulfillment Solutions, Inc. and Entrego Express Corporation, Audit and Risk Committee Member of Ayala Healthcare Holdings, Inc., AC Energy and Infrastructure Corporation, AC Infrastructure Holdings Corporation, Ayala Multi-Purpose Cooperative, Light Rail Manila Corporation and AF Payments, Inc. She is also a member of the Good

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Governance Committee and YFO Committee of Financial Executives Institute of the Philippines (FINEX), a member of the Corporate Governance Scorecard Committee of the Institute of Corporate Directors (ICD), and a Teaching Fellow at the ICD. She was the FINEX 2017 - 2019 Audit Committee Chair and 2017 – 2018 Good Governance Committee Vice Chairperson, FINEX Foundation 2016 Finance Committee Chair, ICD 2015-2016 Scorecard Circle Chair, and Institute of Internal Auditors – Philippines (IIAP) 2014 Chair of the Board of Trustees and 2009 - 2014 member of the Board of Trustees. Prior to joining Ayala Corporation, she was a Vice President and the Chief Audit Executive of Globe Telecom, Inc. where she started as an Internal Audit Manager in 1996 and rejoined the company in 2000. In 1998, she joined PricewaterhouseCoopers - Singapore as Manager for Operational and Systems Risk Management. She started her career at SGV & Co in 1991 as a financial and IT auditor. She is a Certified Public Accountant, a Fellow of the Institute of Corporate Directors, a qualified Crisis Communication Planner, and holds an Associate (Level 1) Certification from Global Innovation Management Institute (GIMI). She graduated magna cum laude from Saint Louis College in 1991 with a degree in Bachelor of Science in Commerce major in Accounting.

Estelito C. Biacora, Filipino, 51, is the Executive Director and Treasurer of Ayala Corporation since November 2018. Currently, he also holds the following positions: Director and Treasurer of Liontide Holdings, Inc., Michigan Holdings, Inc., Pameka Holdings, Inc., Technopark Land, Inc., and Ayala Retirement Fund Holdings, Inc.; Director of AYC Finance, Limited and AYC Holdings Limited; Director, Treasurer and Chief Finance Officer of Philwater Holdings Company, Inc.; Chairman of Ayala Group Club, Inc.; Treasurer of AC Infrastructure Holdings Corporation, ACST Business Holdings, Inc., ASIACOM Philippines, Inc., AC Ventures Holding Corporation, Ayala Foundation, Inc., Azalea International Venture Partners, Ltd., PPI Prime Venture, Inc., and; Chief Finance Officer of Cartera Interchange; and member of Ayala Foundation Endowment Committee, Ayala Corporation Retirement Committee, and Audit and Risk Committee of AC Energy and Infrastructure Corporation (ACEIC) and AC Infrastructure Holdings Corporation. Prior to joining Ayala, he served as Senior Vice President for Global Markets Group at the Bank of the Philippine Islands (BPI). His other previous senior assignments include Chief Investment Officer (CIO) for BPI Asset Management and Trust Group, and Senior Vice President and Head of BPI Private Banking. He also served as member of BPI Management Committee, and member of the board of BPI Forex Corporation and BPI International Finance Limited, Hong Kong. He served as the President and board member of ACI Philippines, the Financial Markets Association affiliated with Paris-based organization of global markets professionals. He also served as member of BAP-Capital Markets Development Committee. He has held prior positions with Far East Bank and Trust Company, and Banco Santander, Philippines. Mr. Biacora earned a Bachelor of Science degree in Commerce, major in Finance in 1990 and Masters in Business Administration in 1994, both from De La Salle University.

Josephine G. De Asis, Filipino, 51, has been the Controller of Ayala Corporation since August 2012. Currently, she also holds the following positions: Chairwoman of PPI Prime Venture, Inc.; Director and Chief Finance Officer of Pameka Holdings, Inc.; Director of Azalea International Venture Partner Ltd., Darong Agricultural & Development Corporation, and Technopark Land, Inc.; Chief Finance Officer of Michigan Holdings, Inc.; and, Treasurer and Chief Finance Officer of Ayala Group Legal. Prior to joining Ayala Corporation, she served as the Head of Financial Control Division of Globe Telecom, Inc. from 2010 to 2012 and Controller of the Wireless Business of Globe Telecom, Inc. from 2005-2010. She is a Certified Public Accountant. She graduated with a degree in BS Accountancy (summa cum laude) from Polytechnic University of the Philippines in 1991 and attended an Executive Management Program from the University of California Los Angeles in 2004-2005.

Rosario Carmela G. Austria, Filipino, 39, was elected as Assistant Corporate Secretary of Ayala Corporation in April 2021. She is also the Assistant Corporate Secretary of Integrated Micro-Electronics, Inc., Ayala Foundation, Inc., AC Industrial Technology Holdings, Inc., and other companies within the Ayala Group. She is Head of the Corporate Secretarial Services Division, Corporate Governance Group of Ayala Corporation. Previously, she was Corporate Governance Manager in Ayala Group Legal from May 2019 to May 2020 and in Ayala Corporation from May 2020 to March 2021. Prior to joining Ayala Group, she worked in the Securities and Exchange Commission from September 2009 to April 2019 where her last post was Assistant Director of the Corporate Governance Division, Corporate Governance and Finance Department. She graduated with a Bachelor of Science degree in Legal Management, minor in International Business, from the Ateneo de Manila University in 2004 and completed her Juris Doctor degree from the same university in 2008. She was admitted to the Philippine Bar in 2009. She obtained a Master of Public Policy in 2013 from the National Graduate Institute of

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Policy Studies (GRIPS) in Tokyo, Japan as a recipient of the Japan-IMF Scholarship Program for Asia.

Significant Employees

The Company attributes its continued success to the collective efforts of its employees, all of whom contribute significantly to the business in various ways.

Family Relationship

Jaime Augusto Zobel de Ayala, Chairman, and Fernando Zobel de Ayala, President and Chief Executive Officer, are brothers.

Except for the foregoing, there are no known family relationships between the current members of the Board and key officers.

Involvement in Certain Legal Proceedings

Except as disclosed herein or in the Information Statements of the Company's subsidiaries or affiliates which are themselves public companies or as has been otherwise publicly disclosed, there are no material pending legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years and the preceding years until December 31, 2021 to which the Company or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

Compensation of Directors and Officers

Directors

Article IV, Section 14 of Ayala's By-Laws provides:

Section 14 - Directors shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for their services. In no case shall the total yearly compensation of Directors exceed one percent (1%) of the net income before tax of the Corporation during the preceding year.

The Personnel and Compensation Committee of the Board of Directors shall have the responsibility of recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay Directors for work required in a company of the Corporation's size and scope. No Director shall be involved in deciding his own remuneration during his incumbent term.

On April 21, 2017, the Board, upon the recommendation of its Personnel and Compensation Committee to make the level of remuneration more commensurate with their responsibilities, approved a resolution fixing the current remuneration of non-executive directors as follows:

Retainer Fee:	₱ 3,000,000
Board Meeting Fee per meeting attended:	₱ 200,000
Committee Meeting Fee per meeting attended:	₱ 100,000

Directors who hold executive or management positions do not receive directors' fees. Their compensation, as executive directors is included in the compensation table below.

Management

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Fernando Zobel de Ayala President and Chief Executive Officer				
Jaime Augusto Zobel de Ayala* Chairman				
Paolo Maximo F. Borromeo** Managing Director, Corporate Strategy and Development Group Head				
Alberto M. de Larrazabal** Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head				
Josephine G. De Asis**** Executive Director and Controller				
Solomon M. Hermosura Managing Director, Chief Legal Officer, Corporate Secretary, Chief Compliance Officer, Data Protection Officer, and Corporate Governance Group Head				
Jose Teodoro K. Limcaoco Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head				
John Philip S. Orbeta Managing Director, Chief Human Resources Officer, and Corporate Resources Group Head				
CEO and Most Highly Compensated Executive Officers	Actual 2020	₱348.13M	₱270.81M	₱0
	Actual 2021	₱300.72M	₱162.49M	₱0
	Projected 2022	₱225.45M	₱190.74M	₱0

Management

All other officers** as a group unnamed	Actual 2020	P686.11M	P436.25M	P0
	Actual 2021	P641.56M	P270.92M	P0
	Projected 2022	P521.17M	P307.08M	P0

*Up to April 2021

**Starting April 2021

***Up to December 2021

****Starting from January 2022

*****Managers and up (including all above-named officers).

The total annual compensation includes basic pay and other taxable income (guaranteed bonus and performance-based bonus).

The Company has no other arrangement with regard to the remuneration of its existing officers aside from the compensation received as herein stated.

Employment Contracts and Termination of Employments and Change-In-Control Arrangements

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

Warrants and Options Outstanding

Since 1995, the Company has offered its officers options to acquire common shares under its executive stock option plan ("ESOP"). Of the above-named officers, there were options covering 108,307 shares exercised in 2021 by the following officers, to wit:

Name	No. of Availed Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Jose Teodoro K. Limcaoco		Various	Various	Various
John Philip S. Orbeta		Various	Various	Various
All above-named officers as a Group	108,307	Various	P264.06*	P393.40*
All officers ** as a Group	179,442	Various	P291.82*	P442.41*

* Average prices.

**Managers and up including the above-named officers

The Company has adjusted the exercise price and market price of the options awarded to the officers due to the stock dividend declared by the Company in May 2004, June 2007 and May 2008 and July 2011 and to the reverse stock split in May 2005.

Management and Certain Security Holders

Security Ownership of Certain Record and Beneficial Owners and Management as of March 31, 2022

Title of class of outstanding shares	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	Percent of total outstanding shares
<i>Directors</i>				
Common	Jaime Augusto Zobel de Ayala	785,034 (indirect)	Filipino	0.0903%
Preferred B Series 1		20,000 (indirect)		0.0023%
Voting Preferred		543,802 (direct)		0.0625%
Common	Fernando Zobel de Ayala	757,134 (indirect)	Filipino	0.0871%
Voting Preferred		554,983 (direct)		0.0638%
Common	Delfin L. Lazaro	82,554 (direct & indirect)	Filipino	0.0095%

Management

Voting Preferred		258,297	(direct)		0.0297%
Common	Keiichi Matsunaga	1	(direct)	Japanese	0.0000%
Common	Cezar P. Consing	204,386	(direct & indirect)	Filipino	0.0235%
Common	Antonio Jose U. Periquet	1,200	(direct)	Filipino	0.0001%
Common	Rizalina G. Mantaring	57,840	(direct)	Filipino	0.0067%
Voting Preferred		3,604	(indirect)	Filipino	0.0004%
Common	Cesar V. Purisima*	1	(direct)	Filipino	0.0000%
Common	Chua Sock Koong*	1	(direct)	Singaporean	0.0000%
<i>CEO and most highly compensated officers</i>					
Common	Fernando Zobel de Ayala	757,134	(indirect)	Filipino	0.0871%
Voting Preferred		554,983	(direct)		0.0638%
Common	Jaime Augusto Zobel de Ayala	785,034	(indirect)	Filipino	0.0903%
Preferred B Series 1		20,000	(indirect)		0.0023%
Voting Preferred		543,802	(direct)		0.0625%
Common	Paolo Maximo F. Borromeo	123,041	(indirect)	Filipino	0.0141%
Common	Alberto M. de Larrazabal	42,029	(indirect)	Filipino	0.0048%
Common	Josephine G. De Asis	43,674	(indirect)	Filipino	0.0050%
Common	Solomon M. Hermosura	207,107	(indirect)	Filipino	0.0238%
Voting Preferred		53,583	(direct)		0.0062%
Common	Jose Teodoro K. Limcaoco	409,120	(direct & indirect)	Filipino	0.0470%
Common	John Philip S. Orbeta	822,857	(direct & indirect)	Filipino	0.0946%
<i>Other executive officers (Ayala group ManCom members/Senior Leadership Team)</i>					
Common	Bernard Vincent O. Dy	49,439	(indirect)	Filipino	0.0057%
Common	Arthur R. Tan	419,182	(indirect)	Filipino	0.0482%
Common	Jose Rene Gregory D. Almendras	318,844	(direct & indirect)	Filipino	0.0367%
Common	Alfredo I. Ayala	235,776	(direct & indirect)	Filipino	0.0271%
Common	John Eric T. Francia	134,426	(indirect)	Filipino	0.0155%
Common	Ernest Lawrence L. Cu	227,628	(indirect)	Filipino	0.0262%
Common	Ruel T. Maranan	35,094	(indirect)	Filipino	0.0040%
Common	Estelito C. Biacora	14,183	(indirect)	Filipino	0.0016%
Common	Catherine H. Ang	39,613	(indirect)	Filipino	0.0046%
Voting Preferred		5,290	(direct)		0.0002%
Preferred B Series 2		2,000	(direct)		0.0006%
Common	Rosario Carmela G. Austria	0		Filipino	0.0000%
All Directors and Officers as a group		6,451,723			0.7418%

*Incoming director to be elected on April 29, 2022.

Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of March 31, 2022:

Title of class of voting shares	Name and address of record owner and relationship with Issuer	Name of beneficial owner and relationship with record owner	Citizenship	No. of shares held	Percent of outstanding voting shares
Common	Mermac, Inc. ¹⁵ 3/F Makati Stock Exchange Building, Ayala Triangle, Ayala Avenue, Makati City	Mermac, Inc. ¹⁶	Filipino	296,625,706	57.2651%
Voting Preferred				172,778,760	

¹⁵ The Co-Vice Chairmen of Mermac, Inc. ("Mermac"), Jaime Augusto Zobel de Ayala and Fernando Zobel de Ayala, are the Chairman and President and Chief Executive Officer of the Company, respectively. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power of Mermac.

¹⁶ The Board of Directors of Mermac has the power to decide how Ayala shares held by Mermac are to be voted.

Management

Common	PCD Nominee Corporation (Filipino) ¹⁷ G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ¹⁸	Various Non-Filipino	140,628,196	17.1560%
Common	PCD Nominee Corporation (Non-Filipino) G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ¹¹	Filipino	121,575,944	14.8317%
Common	Mitsubishi Corporation ¹⁹ 3-1, Marunouchi 2- Chome, Chiyoda-ku, Tokyo 100-8086	Mitsubishi Corporation ²⁰	Japanese	37,771,896	6.9925%
Voting Preferred				19,545,678	

Security ownership of directors and management as of March 31, 2022.

None of the members of Ayala's directors and management owns 2% or more of Ayala's outstanding capital stock.

Voting Trust Holders of 5% or More

Ayala knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

No change in control in the Company has occurred.

Foreign Ownership as of March 31, 2022

Security	Issued & Outstanding Shares	Shares Owned by Foreigners	Percentage
Common	619,703,617	160,821,740	25.9514%
Preferred "B" Series 1	20,000,000	84,410	0.4221%
Preferred "B" Series 2	30,000,000	178,562	0.5952%
Voting Preferred	200,000,000	21,807,496	10.9037%
Total	869,703,617	182,892,208	21.0293%

¹⁷ PCD Nominee Corporation ("PCD") is not related to the Company.

¹⁸ 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. None of the member of PCD Nominee Corporation owns at least 5% or the Company's voting capital stock. The Company has no record relating to the power to decide how the shares held by PCD are to be voted.

¹⁹ Mitsubishi Corporation ("Mitsubishi") is not related to the Company.

²⁰ The Board of Directors of Mitsubishi has the power to decide how Mitsubishi's shares in Ayala are to be voted. Mr. Keiichi Matsunaga has been named and appointed to exercise the voting power.

MATTERS AFFECTING LIQUIDITY AND CAPITAL EXPENDITURE

Please refer to page 443 of the Prospectus.

INDEPENDENT AUDITORS AND COUNSEL

Legal Matters

All legal opinion/matters in connection with the offering of the Offer which are subject of this Offer will be passed upon by Romulo Mabanta Buenaventura Sayoc & de los Angeles for the Joint Lead Underwriters and Bookrunners. Certain matters relating to the legality of the Offer and tax matters were passed upon by Co Ferrer Ang-Co & Gonzales Law Offices ("CFA Law") for the limited purpose of issuing an opinion required by the SEC. Neither Romulo nor CFA Law have any direct or indirect interest in the Company.

Independent Auditors

SyCip Gorres Velayo & Co. ("SGV & Co."), independent auditors and a member firm of Ernst & Young Global Limited audited Ayala's annual consolidated financial statements as at and for the years ended December 31, 2021, 2020, and 2019 as included in this Offer Supplement.

There is no arrangement that independent auditors will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

a. Fees for Audit and Audit-Related Services

Ayala paid or accrued the following fees, including VAT, to its independent auditors in the past two years: (in ₱ million)

Year	Audit	Audit-Related Fees	Tax Services Fees	Non-Audit Fees
2021	₱6.36M	₱10.19M	-	₱0.13M
2020	₱6.06M	₱5.71M	-	₱2.25M

SGV & Co. was engaged by the Company to audit its annual financial statements and midyear review of financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2020 and 2021. The audit-related fees include assurance and services that are reasonably related to the performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

b. Tax Fees

No tax consultancy services were secured from SGV & Co. for the past two (2) years.

c. Non-Audit Fees

In 2020 and 2021, SGV & Co. billed the Company a fee of ₱2.25M and ₱0.13M, respectively. The Non-Audit Fees also include one-time, non-recurring projects/consulting services.

The Board, upon the recommendation of the Company's Audit Committee approved the re-appointment of SGV & Co. as the Company's independent auditor for 2020 based on its performance and qualifications, and fixed its remuneration amounting to ₱6,559,140.00, inclusive of value-added tax.

The re-appointment of SGV & Co., and the fixing of its remuneration will be approved by the Ayala stockholders at the Annual Stockholders' Meeting to held on April 29, 2022. Under Section E, Oversight on External Audit, No. 5.1 of the Ayala Audit Committee Charter, Ayala's Audit Committee, which is composed of two (2) Independent Directors ("ID") and one (1) Non-Executive Director ("NED"), namely, Ms. Rizalina G. Mantaring (Chairman, ID), Mr. Antonio Jose U. Periquet. (Member, Lead ID), and Mr. Keiichi Matsunaga (Member, NED), recommends to the Board the appointment of the independent auditor and the audit fees.

Independent Auditors and Counsel

Likewise, Ayala's Audit Committee reviewed the nature of non-audit services rendered by SGV & Co. and the corresponding fees and concluded that these are not in conflict with the audit functions of the independent auditor.

SGV & Co. has no shareholdings in the Company, nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for the Professional Accountants in the Philippines (which is based on the International Code of Ethics for Professional Accountants developed by the International Federation of Accountants) set by the Board of Accountancy and approved by the Professional Regulation Commission.

d. 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 SGV & Co. on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

PHILIPPINE TAXATION

Please refer to pages 446-451 of the Prospectus.

ISSUER

Ayala Corporation

32/F to 35/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

JOINT ISSUE MANAGERS

BDO Capital & Investment Corporation

17th Floor BDO Equitable Tower,
8751 Paseo de Roxas,
Salcedo Village, Makati City 1226

BPI Capital Corporation

11/F Tower One, Ayala North Exchange
6796 Ayala Avenue corner Salcedo Street
Legaspi Village, Makati City 1229

JOINT LEAD UNDERWRITERS AND BOOKRUNNERS

BDO Capital & Investment Corporation

17th Floor BDO Equitable Tower,
8751 Paseo de Roxas,
Salcedo Village, Makati City 1226

BPI Capital Corporation

11/F Tower One, Ayala North Exchange
6796 Ayala Avenue corner Salcedo Street
Legaspi Village, Makati City 1229

China Bank Capital Corporation

28/F BDO Equitable Tower
8751 Paseo de Roxas,
Makati City

First Metro Investment Corporation

45/F GT Tower International
6813 Ayala Ave. cor. H.V. De la Costa St.
Makati City 1227

SB Capital Investment Corporation

18th Floor, Security Bank Centre
6776 Ayala Avenue
Makati City

LEGAL COUNSEL

To the Issuer

Co Ferrer Ang-Co & Gonzales²¹

11/F Atlanta Centre
31 Annapolis St. Greenhills,
San Juan

To the Joint Lead Underwriters and Bookrunners

Romulo Mabanta Buenaventura

Sayoc & de los Angeles

21/F Philamlife Tower, 8767 Paseo de Roxas
Makati City 1226

INDEPENDENT AUDITOR

SyCip Gorres Velayo & Co.

SGV & Co.
6760 Ayala Avenue
1226 Makati City

²¹ For the limited purpose of issuing an opinion required by the SEC

FINANCIAL INFORMATION

The following pages set forth Ayala Corporation's audited consolidated financial statements as at December 31, 2021, 2020, and 2019 and for each of the three (3) years in the period ended December 31, 2021.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

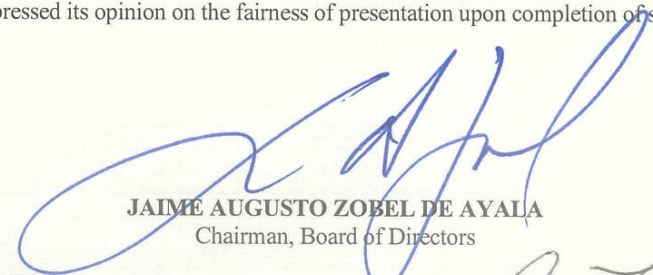
The management of Ayala Corporation (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework 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.

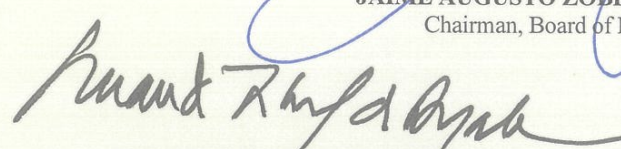
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

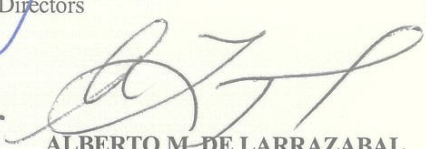
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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.


JAIME AUGUSTO ZOBEL DE AYALA
Chairman, Board of Directors

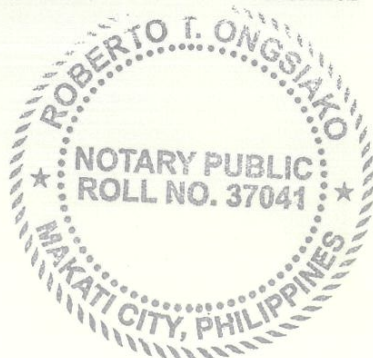

FERNANDO ZOBEL DE AYALA
President & Chief Executive Officer


ALBERTO M. DE LARRAZABAL
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this MAR 10 2022 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jaime Augusto Zobel de Ayala	P9640299A	November 21, 2018 - DFA Manila
Fernando Zobel de Ayala	P0349883B	January 22, 2019 - DFA Manila
Alberto M. de Larrazabal	P6263220B	February 11, 2021 - DFA Manila

Doc. No. 873 ;
Page No. 56 ;
Book No. XLI ;
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
IR No. 8852355MJ - 01/03/2022 - Makati City
CLE Compliance No. VII - 0000267 - 07/30/2019
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	4	2	1	8					

COMPANY NAME

A	Y	A	L	A		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A
R	I	E	S																										

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

3	2	F	-	3	5	F		T	o	w	e	r		O	n	e		a	n	d		E	x	c	h	a	n	g	e
P	l	a	z	a	,		A	y	a	l	a		T	r	i	a	n	g	l	e	,		A	y	a	l	a		A
v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y												

Form Type

A	A	C	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

acquery@ayala.com.ph

Company's Telephone Number

7908-3000

Mobile Number

No. of Stockholders

6,408

Annual Meeting (Month / Day)

April 23

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Josephine G. De Asis

Email Address

deasis.jg@ayala.com.ph

Telephone Number/s

7908-3000

Mobile Number

CONTACT PERSON'S ADDRESS

32nd-35th Floor, Tower One and Exchange Plaza, Ayala Avenue, Makati City

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Ayala Corporation
32F-35F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Opinion

We have audited the accompanying consolidated financial statements of Ayala Corporation (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of Ayala Corporation and its subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 3 to the consolidated financial statements.

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of Matter

We draw attention to Note 3 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group's real estate business under Ayala Land, Inc. and subsidiaries (ALI Group), on the 2021 consolidated financial statements are discussed in detail in Note 3. Our opinion is not modified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Consolidated 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 consolidated 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 consolidated financial statements.

Real Estate Revenue Recognition

ALI Group's revenue recognition process, policies and procedures are significant to our audit because these involve the application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the ALI Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with buyers, age of residential and office development receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the ALI Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the ALI Group's project engineers. This is based on the monthly project accomplishment report, as prepared by the third party surveyor and as approved by the construction manager, which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the ALI Group itself.

In determining the actual costs incurred to be recognized as cost of sales, the ALI Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractors.

The ALI Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the ALI Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The ALI Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

In 2021, the ALI Group adopted the provisions of PFRS 15, *Revenue from Contracts with Customers*, covered by Philippine Interpretations Committee (PIC) Q&A 2018-12-E on the treatment of land in the calculation of POC, using the modified retrospective approach.

The disclosures related to real estate revenue are included in Notes 3, 4 and 21 to the consolidated financial statements.



Audit Response

We obtained an understanding of the ALI Group's real estate revenue recognition processes, policies and procedures and performed the following procedures:

- For the buyer's equity, we evaluated management's basis for the buyers' equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to the supporting documents such as deed of cancellations.
- For the application of the output method in recognizing real estate revenue, we obtained an understanding of the ALI Group's processes to determine the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the COVID-19 pandemic affected the POC during the period and obtained the supporting details of POC reports showing the stage of completion of the major activities in project construction.
- For the cost of real estate sales, we obtained an understanding of the ALI Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced the accumulated costs, including costs incurred but not yet billed, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.
- For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and the portion recognized in profit or loss, particularly: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and, (c) the POC used in the sales commission computation against the POC used in recognizing the related revenue from real estate sales.
- On the adoption of PIC Q&A 2018-12-E, we obtained and reviewed the computation and supporting documents consisting primarily of the reserves memo, contracts, billings and incurred costs. We recomputed the impact of the change in POC.

Accounting for Investments in Associate and Joint Venture

The Parent Company and Liontide Holdings, Inc. have effective ownership of 48.5% in Bank of the Philippine Islands and its subsidiaries (BPI Group), an associate, and the Parent Company has 30.8% ownership in Globe Telecom, Inc. and its subsidiaries (Globe Group), a joint venture, as of December 31, 2021, which are both accounted for using the equity method. BPI Group and Globe Group contributed, directly and indirectly, ₱11.23 billion and ₱7.26 billion or 31% and 20%, respectively, to the Group's consolidated net income in 2021.

BPI Group's net income is significantly affected by the level of impairment provisioning on its loans and receivables which requires substantial management judgment and estimation. PFRS 9 requires the application of a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss, including the impact of the COVID-19 pandemic. Meanwhile, Globe Group's net income is affected by the propriety of the revenue recognized given the significant volume of transactions processed through various systems which relies heavily on automated processes and controls in account activation and recording of usage and billing.

Relevant disclosures related to the Group's investments in BPI Group and Globe Group are provided in Note 10 to the consolidated financial statements.



Audit Response

We sent instructions to the statutory auditors of BPI Group and Globe Group to perform an audit on the relevant financial information of BPI Group and Globe Group for the purpose of our audit of the consolidated financial statements. These audit instructions contained a discussion of their scope of work, risk assessment procedures, audit strategy and reporting requirements. We discussed with the statutory auditors of BPI Group and Globe Group their identified key audit risk areas, including their significant areas of estimation and judgment, planning and execution of audit procedures, and results of their work for the year ended December 31, 2021.

We reviewed their audit working papers and obtained relevant conclusion statements related to their audit procedures. We also considered the impact of the COVID-19 pandemic and reviewed the procedures performed in relation to the impact of the pandemic.

For BPI Group, we focused on the testing of its ECL model for its loan portfolio. We discussed with BPI Group's statutory auditor the overall characteristics of the loan portfolio, changes during the year, and rationale for the changes in impairment provisioning, including considerations made because of the impact of the COVID-19 pandemic. We reviewed the procedures performed in testing the processes and controls over loan loss provisioning and in assessing the adequacy of loan loss provisioning.

In the case of Globe Group, we involved our internal specialist in the review of Globe Group's statutory auditor's procedures in testing Globe Group's IT general and application controls over the revenue recognition process. We evaluated the procedures performed in testing Globe Group's processes and controls over the identification of the performance obligations in their contracts with customers, the allocation of the transaction price to the performance obligations based on their stand-alone selling prices, and the recognition of revenue at a point in time or over time.

We obtained the relevant financial information of BPI Group and Globe Group and recomputed the Group's share in the net income of BPI Group and Globe Group for the year ended December 31, 2021.

Impairment Testing of Goodwill

The Group has goodwill which is required to be tested for impairment at least annually. The impairment testing is a key audit matter because it requires management to make significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic, specifically the estimated future cash flows of the related cash-generating units, revenue growth rate, gross margin, long-term growth rate and the discount rate used in calculating the present value of future cash flows.

Management's disclosures on goodwill are included in Note 14 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and assumptions used in the value-in-use calculation. These assumptions include revenue growth rate, gross margin, long-term growth rate and discount rate. We compared the key assumptions used such as revenue growth rate against historical actual performance of the cash generating unit and industry outlook and gross margin against historical rates, taking into consideration the impact associated with the COVID-19 pandemic. We tested the parameters used in the determination of the discount rate against market data.



We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is more sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Accounting for Retained Interest in Manila Water Company, Inc. (MWC)

Following the dilution of the Group's interest in MWC resulting in loss of control in June 2021, the Group has accounted for its retained interest in MWC as investment in associate. The Group performed notional purchase price allocation using the fair values of the underlying assets and liabilities of MWC which resulted in the recognition of excess of share in fair value of net assets over the cost of investment amounting to ₱4,067 million. We considered this as a key audit matter because the purchase price allocation required significant management judgment and estimation in identifying the fair values of the underlying assets and liabilities, specifically the service concession assets and property, plant and equipment, which involved key assumptions such as billed volume, average tariff rates and growth rate.

Management's disclosures on the notional purchase price allocation are included in Note 24 to the consolidated financial statements.

Audit Response

We obtained the purchase price allocation prepared by the Group, and evaluated the identification of the underlying assets and liabilities based on our understanding of the MWC businesses. With the involvement of our internal specialist, we evaluated the methodologies and assumptions used in arriving at the fair values of the said underlying assets and liabilities. We compared the key assumptions used such as billed volume, tariff rates, and growth rate against historical information and relevant market data, including the revised concession agreement. We tested the parameters used in the determination of the discount rate against market data. We recomputed the Group's share in the net fair values of MWC's identifiable assets and liabilities based on the retained interest and the resulting excess over the cost of the investment. We reviewed the presentation and disclosures related to this transaction in the consolidated financial statements.

Divestment of Kauswagan Power Holdings Limited Co. (KPHLC)

On September 30, 2021, the Group executed the divestment of its 38.6% interest in KPHLC, a majority-owned subsidiary which owns GN Power Kauswagan Ltd. Co. (GNPK), after all conditions precedent for the sale transaction have been met, resulting in loss of control over KPHLC. Accordingly, the Group recognized a gain of ₱3,501 million, arising from the sale of its interest and from the fair valuation of its retained interest. The amount and timing of collection of the consideration is dependent on the distributable proceeds that will be received by the buyer from its two GN Power affiliates, including GNPK, which is based on the priority payment waterfall provisions of the divestment agreement. This matter is important to our audit because the amounts involved are material and the determination of the fair value of the receivable and the retained interest involved significant management judgment and estimation in the use of key assumptions such as revenue from energy sales, fuel costs and discount rate in relation to the future cashflows of its two GN Power affiliates.

The Group's disclosures about the divestment are included in Notes 4 and 24 to the consolidated financial statements.



Audit Response

We obtained an understanding of the restructuring agreements and related activities undertaken to implement the divestment agreement. We obtained the cash flows models of the two GN Power affiliates and evaluated management's assumptions. We compared the price and period covered in the forecasted cash flows against the contract terms of the Power Purchase and Sale Agreement with their bilateral customers and the relevant regulatory approval. We compared fuel assumptions such as the coal specifications and the metric ton per shipment against the Coal Supply Agreement, historical and market data. We compared the distributable proceeds against the waterfall payment provisions as indicated in the divestment agreement. We tested the parameters used in the determination of the discount rate against the market data.

Complex Consolidation Process

The Parent Company is the holding company of a multiple number of domestic and foreign legal entities with diversified business portfolios. In preparing the consolidated financial statements, several factors are considered such as fair value adjustments arising from business combinations, the presence of non-controlling interests, numerous intercompany transactions, translation of subsidiaries' foreign-currency denominated financial information to the Parent Company's functional currency, and other equity adjustments.

Note 2 to the consolidated financial statements provides the relevant disclosures on the Group's investees.

Audit Response

We obtained an understanding of the consolidation process and relevant controls through which the consolidated financial statements are prepared. We also obtained an understanding of the Group's process for identifying related parties and related party transactions and the reconciliation of intercompany transactions and balances. We tested the significant consolidation adjustments, including eliminations of intercompany transactions and balances, deferral and realization of intercompany profits, currency translation adjustments, and movements in non-controlling interests and other equity adjustments. We also evaluated whether the accounting policies of the Group have been consistently applied.

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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 3 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 3 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 on 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 consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Lucy L. Chan.

SYCIP GORRES VELAYO & CO.



Lucy L. Chan

Partner

CPA Certificate No. 88118

Tax Identification No. 152-884-511

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88118-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. 08-001998-046-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8853480, January 3, 2022, Makati City

March 10, 2022



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 31 and 32)	₱90,483,909	₱88,653,956
Short-term investments (Notes 6, 31 and 32)	930,938	822,410
Accounts and notes receivable (Notes 7, 31, 32 and 33)	145,075,394	137,094,187
Inventories (Note 8)	166,406,837	160,871,941
Other current assets (Notes 9 and 32)	81,941,737	74,314,892
	484,838,815	461,757,386
Assets under PFRS 5 (Note 24)	12,433,522	196,136,570
Total Current Assets	497,272,337	657,893,956
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7, 32 and 33)	83,301,217	57,382,232
Investments in associates and joint ventures (Note 10)	294,063,019	255,007,953
Investment properties (Note 11)	246,806,097	226,456,967
Property, plant and equipment (Note 12)	96,682,935	94,537,980
Right-of-use assets (Note 30)	20,996,946	19,812,516
Service concession assets (Note 13)	1,481,976	1,556,241
Intangible assets (Note 14)	22,128,005	19,624,573
Deferred tax assets - net (Note 25)	16,294,100	14,634,045
Other noncurrent assets (Notes 15, 31, 32 and 33)	69,959,308	58,851,529
Total Noncurrent Assets	851,713,603	747,864,036
Total Assets	₱1,348,985,940	₱1,405,757,992
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 18, 31, 32 and 33)	₱34,712,039	₱32,439,507
Accounts payable and accrued expenses (Notes 16, 31, 32 and 33)	168,750,801	177,315,357
Income tax payable	803,495	1,907,146
Current portion of:		
Long-term debt (Notes 18, 32, 33 and 34)	31,493,713	36,514,381
Lease liabilities (Note 30)	2,110,226	1,445,492
Service concession obligation (Notes 13, 32 and 33)	40,069	19,880
Other current liabilities (Notes 17, 32 and 33)	30,184,417	26,596,440
	268,094,760	276,238,203
Liabilities under PFRS 5 (Note 24)	–	124,291,482
Total Current Liabilities	268,094,760	400,529,685
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 31, 32 and 33)	412,310,822	372,800,369
Lease liabilities - net of current portion (Note 30)	25,503,531	22,672,228
Service concession obligation - net of current portion (Notes 13, 32 and 33)	60,961	66,338
Deferred tax liabilities - net (Note 25)	9,180,901	9,398,205
Pension liabilities (Note 27)	4,020,623	5,093,406
Other noncurrent liabilities (Notes 19, 32 and 33)	64,501,574	52,775,650
Total Noncurrent Liabilities	515,578,412	462,806,196
Total Liabilities	783,673,172	863,335,881

(Forward)



	December 31	
	2021	2020
Equity		
Equity attributable to owners of the parent company		
Paid-in capital (Note 20)	₱86,075,527	₱85,613,944
Share-based payments (Note 28)	44,664	102,619
Remeasurement losses on defined benefit plans (Note 27)	(4,798,349)	(6,351,002)
Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI) (Note 15)	(1,720,601)	40,792
Cumulative translation adjustments	1,137,912	(1,635,505)
Equity reserve (Notes 2 and 23)	34,262,567	30,741,420
Retained earnings (Note 20)	260,112,458	238,072,873
Treasury stock (Note 20)	(12,382,517)	(6,605,153)
Reserves under PFRS 5 (Note 24)	—	(800,218)
	362,731,661	339,179,770
Non-controlling interests (Note 2)	202,581,107	203,242,341
Total Equity	565,312,768	542,422,111
Total Liabilities and Equity	₱1,348,985,940	₱1,405,757,992

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2021	2020	2019
CONTINUING OPERATIONS			
REVENUE			
Rendering of services (Notes 11, 21, 29 and 31)	₱141,578,166	₱123,384,171	₱129,911,395
Sale of goods (Notes 11, 21, 29 and 31)	84,013,760	70,238,264	134,995,139
Share in net profits of associates and joint ventures (Notes 10 and 29)	23,384,709	17,615,774	22,344,352
Interest income from real estate (Note 21)	6,801,012	8,602,775	7,890,972
Dividend income (Note 21)	70,921	83,575	122,903
	255,848,568	219,924,559	295,264,761
COSTS AND EXPENSES			
Costs of rendering services (Notes 8, 22 and 31)	118,743,530	97,057,136	106,962,448
Cost of goods sold (Notes 8, 22 and 31)	57,151,237	47,124,213	83,020,810
General and administrative expenses (Notes 22, 28 and 31)	30,301,486	32,326,129	32,112,815
	206,196,253	176,507,478	222,096,073
OTHER INCOME (CHARGES) – Net			
Interest income (Notes 22 and 31)	5,077,847	3,183,823	3,352,308
Other income (Notes 22 and 23)	15,121,681	6,125,806	32,288,490
Interest and other financing charges (Notes 18, 22 and 31)	(27,089,924)	(28,014,198)	(22,409,526)
	(6,890,396)	(18,704,569)	13,231,272
INCOME BEFORE INCOME TAX	42,761,919	24,712,512	86,399,960
PROVISION FOR INCOME TAX (Note 25)			
Current	6,575,514	5,887,920	13,717,739
Deferred	(1,663,819)	(648,740)	266,398
	4,911,695	5,239,180	13,984,137
NET INCOME AFTER TAX	37,850,224	19,473,332	72,415,823
OPERATIONS OF THE SEGMENT UNDER PFRS 5 (Note 24)			
Net income (loss) after tax	(1,814,033)	9,797,011	(30,433,493)
NET INCOME	₱36,036,191	₱29,270,343	₱41,982,330
Net Income Attributable to:			
Owners of the Parent Company (Note 26)	27,774,183	17,141,714	₱35,279,330
Non-controlling interests	8,262,008	12,128,629	6,703,000
	₱36,036,191	₱29,270,343	₱41,982,330
EARNINGS PER SHARE BEFORE OPERATIONS OF SEGMENT UNDER PFRS 5 (Note 26)			
Basic	₱43.33	₱17.04	₱79.37
Diluted	₱43.17	₱16.96	₱79.12
EARNINGS PER SHARE (Note 26)			
Basic	₱42.58	₱25.33	₱54.12
Diluted	₱42.42	₱25.24	₱53.93

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET INCOME	₱36,036,191	₱29,270,343	₱41,982,330
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising from translations of foreign investments	365,604	(1,932,115)	1,674,874
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on defined benefit plans (Note 27)	1,388,509	(958,301)	(985,132)
Changes in fair values of financial assets at FVOCI - net (Note 15)	(71,079)	(424,522)	13,564
Tax effect relating to components of other comprehensive income	(450,508)	206,096	—
	1,232,526	(3,108,842)	703,306
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising from translations of foreign investments	2,027,190	(2,421,507)	(2,121,987)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on defined benefit plans	729,731	(2,473,965)	(1,107,730)
Changes in fair values of financial assets at FVOCI - net (Note 15)	(1,602,404)	(108,754)	596,195
	1,154,517	(5,004,226)	(2,633,522)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	2,387,043	(8,113,068)	(1,930,216)
TOTAL COMPREHENSIVE INCOME	₱38,423,234	₱21,157,275	₱40,052,114
Total Comprehensive Income Attributable to:			
Owners of the Parent Company	₱29,634,136	₱9,450,509	₱35,111,130
Non-controlling interests	8,789,098	11,706,766	4,940,984
	₱38,423,234	₱21,157,275	₱40,052,114

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Thousands)

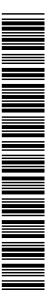
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY											
	Other Comprehensive Income										
		Remeasurement Gains (Losses) on Defined Benefit Plans (Note 27)	Fair Value Reserve of Financial Assets at FVOCI (Note 15)	Cumulative Translation Adjustments	Equity Reserve (Note 2)	Reserves under PFRS 5 (Note 24)	Retained Earnings (Note 20)	Treasury Stock (Note 20)	Total	Non-controlling Interests (Note 2)	Total Equity
As of January 1, 2021 (Audited)	₱85,613,944	₱102,619	₱40,792	(₱1,635,505)	₱30,741,420	(₱800,218)	₱238,072,873	(₱6,605,153)	₱339,179,770	₱203,242,341	₱542,422,111
Adoption of PFRS 15 covered by PIC Q&A 2018-E (Note 3)	-	-	-	-	-	-	(1,093,029)	-	(1,093,029)	(1,593,160)	(2,686,189)
Capitalized borrowing costs (Note 3)	-	-	-	-	-	-	885,669	-	885,669	1,107,360	1,993,029
As of January 1, 2021 (as Restated)	₱85,613,944	₱102,619	₱40,792	(₱1,635,505)	₱30,741,420	(₱800,218)	₱237,865,513	(₱6,605,153)	₱237,774,183	₱202,756,541	₱541,728,951
Net income	-	-	-	-	-	-	27,774,183	-	27,774,183	8,262,008	36,036,191
Share in other comprehensive income (loss) of associates and joint ventures	-	-	-	729,731	-	-	-	-	1,154,517	-	1,154,517
Other comprehensive income (loss)	-	-	-	827,518	-	-	-	-	1,299,698	527,090	1,826,788
Reserves under PFRS 5 (Note 24)	-	-	-	(4,596)	-	(64,996)	-	-	-	-	-
Change due to loss of control over a subsidiary	-	-	-	-	-	(594,282)	-	-	(594,282)	-	(594,282)
Total comprehensive income (loss)	-	-	-	1,552,653	(1,740,555)	(66,304)	(659,258)	-	27,774,183	29,634,136	8,789,098
Reclassification of fair value loss on investment in equity securities of FVOCI	-	-	-	-	-	-	-	-	20,838	-	-
Buy-back of common shares	-	-	-	(20,838)	-	-	-	-	-	-	-
Exercise of ESOP/ESOWN	461,583	(57,955)	-	-	-	-	-	(5,777,364)	(5,777,364)	403,628	(5,777,364)
Cash dividends	-	-	-	-	-	-	(5,548,076)	-	(5,548,076)	(2,418,180)	(7,966,256)
Change in non-controlling interests	-	-	-	-	-	-	-	-	5,585,835	19,734,204	25,320,039
Change due to loss of control over a subsidiary	-	-	-	-	-	(1,434,912)	1,459,476	-	24,564	(26,672,981)	(26,648,417)
Business combination during the year	-	-	-	-	-	(563,472)	-	-	-	392,425	392,425
Others	-	-	-	-	-	-	-	-	(563,472)	-	(563,472)
At December 31, 2021	₱86,075,527	₱44,564	(₱4,798,349)	(₱1,720,501)	₱1,137,912	₱34,262,567	₱-	₱260,112,458	(₱12,382,517)	₱362,731,661	₱202,581,107
											₱565,312,768



EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
	Other Comprehensive Income					Total	Non-controlling Interests (Note 2)	Total Equity				
	Reassessment Gains (Losses) on Defined Benefit Plans (Note 20)	Fair Value Reserve of Financial Assets at FVOCI (Note 15)	Cumulative Translation Adjustments (Note 2)	Equity Reserve under PFRS 5 (Note 24)	Retained Earnings (Note 20)				Treasury Stock (Note 20)			
As of January 1, 2020	₱4,876,225	₱214,617	(₱3,117,329)	₱66,917	₱3,234,618	₱25,282,942	(₱1,467,449)	₱25,454,620	(₱5,737,896)	₱28,807,265	₱180,506,293	₱509,313,558
Net income	-	-	-	-	-	-	-	17,141,714	-	-	12,128,629	29,270,343
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(2,473,965)	(108,754)	(2,421,507)	-	-	-	-	(5,004,226)	-	(5,004,226)
Other comprehensive income (loss)	-	-	(752,205)	(99,453)	(1,835,311)	-	-	-	-	(2,686,989)	(421,873)	(3,108,842)
Reserves under PFRS 5 (Note 24)	-	-	(7,593)	186	(613,385)	(46,621)	667,231	-	-	-	-	-
Total comprehensive income (loss)	-	-	(3,233,673)	(206,009)	(4,870,123)	(46,621)	667,231	17,141,714	-	9,450,519	11,706,756	21,157,275
Reclassification of fair value loss on investment in equity securities of FVOCI	-	-	-	181,884	-	-	-	(181,884)	-	-	-	-
Buy-back of common shares	-	-	-	-	-	-	-	-	(867,257)	(867,257)	-	(867,257)
Exercise of ESOP/ESOWN	737,719	(111,998)	-	-	-	-	-	-	-	625,721	(2,252,352)	(6,593,929)
Cash dividends	-	-	-	-	-	-	-	(4,341,577)	-	-	12,182,300	17,687,399
Change in non-controlling interests	-	-	-	-	-	5,505,099	-	-	-	5,505,099	1,099,344	1,099,344
Business combinations during the year	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2020	₱5,613,944	₱102,619	(₱6,351,002)	₱40,782	(₱1,635,505)	₱30,741,420	(₱800,218)	₱238,072,873	(₱6,605,153)	₱39,179,770	₱203,242,341	₱42,422,111

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY													
	Other Comprehensive Income					For the year ended December 31, 2019	Total	Non-controlling Interests (Note 2)	Total Equity				
	Remeasurement Gains (Losses) on Defined Benefit Plans (Note 20)	Fair Value Reserve of Financial Assets at FVOCI (Note 15)	Cumulative Translation Adjustments	Equity Reserve (Note 2)	Equity Conversion Option (Note 18)					Reserves under PFRS 5 (Note 24)	Retained Earnings (Note 20)	Treasury Stock (Note 20)	
As of January 1, 2019	₱83,361,675	₱238,871	(1,299,319)	₱544,555	₱2,276,669	₱10,872,124	₱1,087,015	₱-	₱196,639,518	(2,300,000)	₱290,331,998	₱178,500,886	₱468,832,884
Net income	-	-	-	-	-	-	-	-	35,279,330	-	35,279,330	6,703,000	41,982,330
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(1,107,730)	596,195	(2,121,987)	-	-	-	-	-	(2,633,522)	-	(2,633,522)
Other comprehensive income (loss)	-	-	(758,325)	14,804	3,208,842	-	-	-	-	-	2,465,321	(1,762,016)	703,305
Reserves under PFRS 5 (Note 24)	-	-	48,045	473	(128,906)	1,547,837	-	(1,467,449)	-	-	-	-	-
Total comprehensive income (loss)	-	-	(1,818,010)	611,472	957,949	1,547,837	-	(1,467,449)	35,279,330	-	35,111,129	4,940,984	40,052,113
Redemption of Preferred B Series 2 shares	-	-	-	-	-	-	-	-	-	(13,500,000)	(13,500,000)	-	(13,500,000)
Re-issuance of redeemed Preferred B Series 2 shares	-	-	-	-	-	-	-	-	-	13,500,000	13,500,000	-	13,500,000
Issuance of additional Preferred B Series 2 shares	1,079,931	-	-	-	-	-	-	-	-	300,000	1,379,931	-	1,379,931
Buy-back of common shares	-	-	-	-	-	-	-	-	-	(3,737,896)	(3,737,896)	-	(3,737,896)
Exercise of ESOP/ESOWN	434,619	(943)	-	-	-	-	-	-	-	-	433,676	-	433,676
Cost of share-based payments	(23,311)	-	-	-	-	-	-	-	-	-	(23,311)	-	(23,311)
Expense of exchange option (Note 18)	-	-	-	-	-	12,323,299	(1,087,015)	-	(6,464,228)	-	3,901,950	(5,820,296)	15,138,234
Cash dividends	-	-	-	-	-	539,682	-	-	-	-	(6,464,228)	(1,017,231)	(12,284,624)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	539,682	(477,569)	(14,175,569)
At December 31, 2019	₱84,876,225	₱214,617	(₱3,117,329)	₱66,917	₱3,234,618	₱25,282,942	₱-	(₱1,467,449)	₱225,454,620	(₱5,737,896)	₱328,807,265	₱180,506,293	₱509,313,558

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	₱42,761,919	₱24,712,512	₱86,399,960
Income (loss) before income tax from operations of segment under PFRS 5 (Note 24)	214,086	11,306,203	(31,984,213)
Income before income tax	42,976,005	36,018,715	54,415,747
Adjustments for:			
Interest and other financing charges - net of amount capitalized (Note 22)	28,007,569	30,238,160	24,484,235
Depreciation and amortization (Note 22)	16,852,804	19,871,923	18,641,311
Loss arising from loss of control (Note 24)	2,842,409	-	-
Provision for impairment losses on (Note 22):			
Investments in associates and joint ventures	1,162,526	2,142,824	839,419
Receivables	918,840	1,307,156	671,601
Intangible and other assets	743,676	749,361	805,233
Property, plant and equipment	234,659	623,884	4,493
Inventory obsolescence	170,759	144,326	236,644
Investment properties	-	225,208	-
Impairment loss on remeasurement to fair value less costs to sell (Note 24)	-	1,626,460	33,244,121
Reversal of impairment loss on remeasurement to fair value less cost to sell (Note 24)	-	(6,591,755)	-
Cost of share-based payments (Note 28)	90,712	326,351	135,946
Write-down of inventories	2,227	-	111,216
Pre-PFRS 5 impairment loss (Note 24)	-	-	5,574,910
Gain on sale of (Note 22):			
Investments	(4,407,171)	(30,490)	(24,696,571)
Other assets	(117,565)	(163,813)	(192,202)
Excess of share in fair value of net assets over the cost of investment (Note 24)	(4,067,109)	-	-
Other investment income (Note 22)	(1,063,830)	(94,174)	(220,960)
Remeasurement gain on previously held interest	(809,003)	-	(2,020,662)
Mark-to-market gain on financial assets at fair value through profit or loss (Note 22)	(542,006)	(887,682)	(528,011)
Mark-to-market gain on derivative contracts	(102,062)	(1,041,055)	-
Dividend income	(70,921)	(83,575)	(122,903)
Interest income	(12,015,640)	(12,289,789)	(11,647,937)
Share in net profit of associates and joint ventures (Note 10)	(23,683,729)	(17,829,613)	(22,997,854)
Operating income before changes in operating assets and liabilities	47,123,150	54,262,422	76,737,776
Decrease (increase) in:			
Accounts and notes receivable - trade	1,619,076	716,605	12,256,330
Contract assets	198,353	(720,503)	(401,809)
Inventories	(5,736,434)	(9,718,103)	(3,419,900)
Service concession assets (Note 13)	(2,942,046)	(10,883,185)	(12,011,636)
Other current assets	(7,130,853)	(12,423,790)	2,151,818
Increase (decrease) in:			
Accounts payable and accrued expenses	(9,235,857)	(14,634,459)	(11,394,983)
Contract liabilities	250,362	77,944	483,816
Net pension liabilities	(106,722)	1,523,304	977,070
Other current liabilities	3,300,980	1,969,952	(3,992,761)
Cash generated from operations	27,340,009	10,170,187	61,385,721
Interest received	9,129,399	11,743,775	10,914,748
Interest paid	(21,367,830)	(22,394,778)	(24,764,393)
Income tax paid	(8,951,119)	(8,462,019)	(16,428,414)
Net cash provided by (used in) operating activities	6,150,459	(8,942,835)	31,107,662

(Forward)



	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/maturities of financial assets at FVOCI	₱93,270	₱14,289	₱65,660
Sale/maturities of financial assets at FVTPL	1,883,431	8,264,138	765,763
Sale/redemptions of investments in subsidiaries, associates and joint ventures (Note 10)	1,091,930	188,876	30,353,702
Disposals of:			
Property, plant and equipment (Note 12)	1,203,977	767,760	766,655
Investment properties (Note 11)	299,250	2,313,197	1,632,666
Proceeds from (additions to) short-term investments	(454,471)	12,545,346	(7,540,567)
Deductions/transfers (Additions) to:			
Service concession assets (Note 13)	(7,570)	(19,539)	(29,525)
Investments in associates and joint ventures	(4,228,643)	(5,557,577)	(11,898,192)
Property, plant and equipment (Note 12)	(14,086,605)	(12,318,121)	(20,965,834)
Investment properties (Note 11)	(24,362,227)	(4,585,946)	(29,306,538)
Financial assets at FVTPL	—	(7,988,808)	(1,435,128)
Financial assets at FVOCI	—	—	(3,137,883)
Financial assets at amortized cost	(10,439,694)	(12,926,369)	—
Accounts and notes receivable - non trade	(10,291,129)	(7,800,234)	(3,580,862)
Intangible assets (Note 14)	(683,196)	(110,225)	849,934
Dividends received from associates, joint ventures and investments in equity securities (Note 10)	9,987,223	10,728,197	9,004,700
Acquisitions through business combinations - net of cash acquired (Note 23)	(1,344,966)	(5,207,797)	(1,143,592)
Change due to loss of control over subsidiaries (Note 24)	(19,655,888)	—	—
Increase in other noncurrent assets	(1,404,773)	(6,005,752)	(14,448,144)
Net cash used in investing activities	(72,400,081)	(27,698,565)	(50,047,185)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term and long-term debt	332,063,085	343,081,145	289,335,723
Issuance of preferred shares	—	—	15,000,000
Issuance of common shares	45,094	74,132	—
Payments of short-term and long-term debt	(305,087,502)	(296,558,117)	(202,331,063)
Acquisition of treasury shares - common	(5,777,364)	(867,257)	(3,737,896)
Dividends paid (Note 20)	(7,489,983)	(8,830,976)	(11,919,555)
Redemption of preferred shares	—	—	(13,500,000)
Payment of principal portion of lease liabilities	(3,246,968)	(2,925,244)	(2,051,769)
Service concession obligation paid (Note 13)	(297,228)	(1,211,983)	(838,286)
Collections of subscriptions receivable	327,155	129,193	274,677
Cost of issuance/reissuance of shares	(279)	(1,647)	(120,327)
Interest paid	(6,095,719)	(7,008,620)	—
Increase (decrease) in:			
Other noncurrent liabilities	12,777,832	1,422,200	(749,827)
Non-controlling interests in consolidated subsidiaries (Note 23)	25,034,618	17,687,401	(3,692,798)
Net cash provided by financing activities	42,252,741	44,990,227	65,668,879
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	391,503	(1,613,159)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,605,378)	6,735,668	46,729,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	114,089,287	107,353,619	60,624,263
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱90,483,909	₱114,089,287*	₱107,353,619*

*Includes cash and cash equivalents of assets under PFRS 5.
See accompanying Notes to Consolidated Financial Statements



AYALA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Corporation (the Parent Company) is incorporated in the Republic of the Philippines on January 23, 1968. On April 15, 2016, during the annual meeting of its stockholders, the stockholders ratified the amendment of the Fourth Article of the Articles of Incorporation (AOI) to extend the corporate term for 50 years from January 23, 2018. The amendment to the AOI was approved by the Securities and Exchange Commission (SEC) on April 5, 2017. The Parent Company's registered office address and principal place of business is 32F-35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The Parent Company is a publicly listed company which is 47.87% owned by Mermac, Inc. and the rest by the public.

The Parent Company is the holding company of the Ayala Group of Companies (the Group), with principal business interests in real estate and hotels, financial services, telecommunications, water, infrastructure, industrial technologies and automotives, power, healthcare, business process, outsourcing, air charter, consulting services, investment holdings, agriculture, and technology services.

2. Group Information

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries of the Group:

Subsidiaries	Nature of Business	% of Economic Ownership Interest held by the Group	
		2021	2020
AC Energy and Infrastructure Corporation (AC Energy / ACEIC)	Power	100.0	100.0
AC Infrastructure Holdings Corporation (AC Infra)	Infrastructure	100.0	100.0
AC International Finance Limited (ACIFL)*	Investment Holding	100.0	100.0
AG Counselors Corporation (AGCC)	Consulting Services	100.0	100.0
AC Industrial Technology Holdings Inc. (AC Industrial /ACI)	Industrial Technology and Automotive	100.0	100.0
Ayala Aviation Corporation (AAC)	Air Charter	100.0	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	46.1	44.4
AYC Finance Ltd. (AYCFL)*	Investment Holding	100.0	100.0
Azalea International Venture Partners Limited (AIVPL)**	Business Process Outsourcing	100.0	100.0
Ayala Healthcare Holdings, Inc. (AC Health)	Healthcare	100.0	100.0
Bestfull Holdings Limited (BHL)***	Investment Holding – International	100.0	100.0
Darong Agricultural and Development Corporation (DADC)	Agriculture	100.0	100.0
Integrated Microelectronics, Inc. (IMI)	Industrial Technologies	52.1	52.1
Michigan Holdings, Inc. (MHI)	Investment Holding	100.0	100.0
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	100.0	100.0
Purefoods International, Ltd. (PFIL)**	Investment Holding	100.0	100.0
Technopark Land, Inc. (TLI)	Real Estate	78.8	78.8
AC Ventures Holding Corporation (AC Ventures)	Investment Holding	100.0	100.0
AC Logistics Holdings Corporation (AC Logistics)	Logistics	100.0	–
HCX Technology Partners, Inc. (HCX)	Technology Services	–	100.0
Manila Water Company, Inc. (MWC)	Water	–	51.4

*Incorporated in Cayman Islands

**Incorporated in British Virgin Islands

***Incorporated in Hong Kong



Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company's investments in subsidiaries, associates and joint ventures is the Philippines.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interest.

The following are the highlights of significant transactions of the Parent Company and subsidiaries, part of which affected the Parent Company's investments in its subsidiaries:

Investment in ACEIC

ACEIC and AC Energy Corporation (ACEN) Reorganization and Capital Raising Activities

In 2020 and 2021, the AC Energy group embarked on a process of transforming its listed subsidiary ACEN to become the group's main energy platform. This included several investments for expansion, ACEIC's transfer of certain assets into ACEN, and ACEN's various capital raising activities namely stock rights offering, issuance of shares to GIC Private Limited (GIC) / Arran Investment Pte Ltd. (Arran), follow-on offering and ACEIC's sale of its secondary shares to GIC. These transactions resulted to ACEIC's effective ownership share in ACEN at 64.65% as of December 31, 2021 (see Note 23).

The fair value of ACEN shares held by ACEIC Group amounted to ₱272,488.9 million and ₱100,579.0 million as of December 31, 2021 and 2020, respectively.

Finalization of the Divestment Agreement for GN Power Kauswagan Ltd. Co. (GNPK)

On March 5, 2021, ACEIC, Power Partners Ltd. Co. (PPLC) and certain of their affiliated companies, signed a Divestment Agreement for the transfer by ACEIC of its indirect ownership interest in GNPK in favor of PPLC and its affiliates. GNPK's assets and liabilities were previously classified as "Assets held for sale" and "Liabilities held for sale", respectively, in the consolidated statement of financial position (see Note 24).

Redemption of Redeemable Preferred Shares (RPS)

In April 2021, ACEIC redeemed 58,342,840 redeemable preferred shares held by the Parent Company at a par value of ₱100.00/share for a total consideration of ₱5,834.3 million.

On November 11, 2021, the BOD of ACEIC approved the redemption at par of 33,500,000 redeemable preferred shares held by the Parent Company. The total redemption price amounted to ₱3.35 billion.

Change in Business Structure

In April 2020, the Executive Committee of the Parent Company has approved the consolidation of its energy, water and transport and logistics businesses under a holding company to create a sizeable and agile platform that would boost its foothold within the country's physical infrastructure space. The integrated infrastructure platform will house the Parent Company's stake in listed companies, ACEN and MWC and its unlisted unit AC Infra. ACEIC will be used as the vehicle for the consolidated entity, which will be renamed to AC Energy and Infrastructure Corporation.

On November 18, 2020, SEC approved the change of name from AC Energy Inc. to AC Energy and Infrastructure Corporation.

With certain developments in the logistics business landscape, this plan is unlikely to be pursued.

Other Developments

Withdrawal from SC 6 consortium by ACE Enexor (ACEX)

On January 27, 2021, ACEX's Executive Committee approved ACEX's withdrawal from the SC 6 consortium. ACEX holds 7.78% participating interests in SC 6 Block A, located in offshore North Palawan. SC 6 does not have any commercial operations.



Inclusion of ACEN in the PSE Index

ACEN share was listed on August 16, 2021.

ACEN and ALI's Power Supply Agreement

In October 2021, ACEN and ALI have signed a power supply agreement for ACEN's 120 MW solar plant in Alaminos, Laguna to supply renewable energy that will help meet ALI's demand up to 2050. Alaminos Solar is one of the country's largest solar farms with 120 MW of renewables capacity and the first ever solar storage hybrid locally.

Tariff Adjustment

On May 26, 2020, Energy Regulatory Commission (ERC) approved the adjustments to the Feed-in Tariff (FIT) of renewable energy producers through Resolution No.06, series of 2020. Renewable energy subsidiaries under the FIT system include Guimaras Wind Corporation, Monte Solar Energy, Inc. (MSEI), SACASOL, and NorthWind Power Development Corp. (Northwind) (see Note 21).

Baseload PSA and the mid-merit PSA

On May 13, 2020 and June 1, 2020, ACEN received copies of the orders of the ERC granting ACEN's motions for reconsideration for the baseload and mid-merit rates, respectively (see Note 35).

Power Barge (PB) 102 Oil Spill

ACEN's PB 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil in the afternoon of July 3, 2020. Based on initial investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill (see Note 36).

Investment in AC Infra

Redemption of RPS

On October 21, 2021, AC Infra redeemed its RPS held by the Parent Company amounting to ₱300.0 million.

Re-naming of Reliant Logistics Company, Inc.

On April 21, 2021, the SEC approved the re-naming of Reliant Logistics Company, Inc. to Entrego Logistics Corporation, and amendment of its business address.

Increase in authorized capital stock (ACS)

On July 16, 2021, AC Infra Stockholders and BOD approved the increase in its authorized capital stock from ₱4.5 billion to ₱7.7 billion and preferred shares from ₱1.5 billion to ₱4.7 billion. As of December 31, 2021, the application documents for the increase in the authorized capital stock has been presented for filing with the SEC.

Capital infusions

On various dates in 2021 and 2020, the Parent Company infused additional capital to AC Infra amounting to ₱2,094.6 million and ₱1,280.0 million, respectively. In 2021, the additional capital was intended to fund the equity commitment to Light Rail Manila Corporation (LRMC) and AF Payments, Inc. (AFPI) for their operating requirements, increase in stake in Entrego Fulfillment Solutions, Inc. (Entrego) and Entrego Logistics, Corporation (ELC), subscription to convertible preferred shares of Euronet Technology Services, incorporating capital for MCX Project Company, Inc and for the operating expenditures of AC Infra. In 2020, the additional funding was used for the funding for Entrego, E-commerce center and joint venture in providing ATM services, operating and capital expenditures of AC Infra and rehabilitation project of Ninoy Aquino International Airport.

On various dates in 2021, AC Infra infused additional capital to (a) LRMHI amounting to ₱873.0 million for 440.5 million additional common shares (b) Entrego amounting to ₱900.0 million to adjust the committed equity interest of AC Infra, Brilliant, AMSI, Inc., BPI Capital Corporation, and Kickstart Ventures, Inc. from 54.30%, 40%, 1.9%, 1.9% and 1.9% to 77.15%, 20%, 0.95%, 0.95%, and 0.95%, respectively, (c) Euronet Technology Services, Inc. amounting to ₱445.6 million as subscription deposit for 111.4 million convertible preferred shares. The par value and the subscription price is ₱4 per share.



In 2020, AC Infra made a capital infusion of ₱525 million into LRMHI for infusion to LRMC to fund its capital requirements including the Cavite Extension Project in which the project timetable was impacted by the pandemic (see Note 10). AC Infra also made capital infusion of ₱100.0 million and ₱30.0 million into Entrego for the subscription to additional 100 million preferred shares at ₱1 per share and into AF Payments, Inc for the subscription of additional 30 million preferred shares at ₱1 per share, respectively.

Transfer of delivery services operation

Beginning January 1, 2020, the delivery services operation of AC Infra was transferred from Entrego to Entrego Express Corporation (Entex), formerly Bedacon Express Corporation, a 100% subsidiary of Reliant Logistics Holdings Company, Inc. (Reliant) (a subsidiary of AC Infra). Entrego remained as the shared service provider of Entex and as a vehicle for future logistics-related projects.

Reliant's ownership interest in Entex

On February 5, 2020, Entrego entered into an SPA with Reliant for the purchase of Reliant's 100% ownership interest in Entex, equivalent to 500,000 common shares, for a total acquisition cost ₱6 million. On September 1, 2020, Entrego and Reliant executed the Deed of Absolute Sale of Shares of Stock for Entrego's purchase of Reliant's 100% ownership in Entex. This acquisition completed the SPA and effective September 1, 2020, Entex is now consolidated by Entrego.

On February 17, 2020, SEC approved the amendments to Entrego's primary and secondary purpose in its articles of incorporation.

Private Express and/or Messengerial Delivery Service (PEMEDES) license

On February 18, 2020, Entrego filed its application to secure PEMEDES license with the Department of Information and Communications Technology (DICT). On February 20, 2020, a petition for grant of provisional authority pending suspension of processing of applications was also filed with DICT. On October 9, 2020, DICT completed its assessments of the applications.

After compliance with the publication of Notice of Hearing requirement and considering that hearings before the DICT are conducted through the submission of Memorandum, on December 1, 2021, Entrego filed its Memorandum with the DICT. The Memorandum detailed Entrego's eligibility and full compliance with the requirements for the granting of authority and provisional authority to operate a PEMEDES and the legal basis for the grant of authority. As of December 31, 2021, the DICT has not issued any other orders relative to Entrego's Memorandum.

Civil Aeronautics Board (CAB) Certificate of Authority and Registration

On July 27, 2020, an application for the accreditation with the CAB was filed by Entrego for a license to transport packages via air carriers. The CAB Certificate of Authority and Registration, valid for five (5) years, was issued last September 7, 2020.

Re-naming of Reliant Logistics Holdings Company, Inc.

On September 3, 2020, SEC approved the re-naming of Reliant Logistics Holdings Company, Inc. to Reliant Logistics Company, Inc. and amendment of its primary purpose to "engage in the business of contract logistics and warehousing services as well as to provide software, engineering, support application development, and system integration services relating to logistics management".

NAIA Consortium

On July 10, 2020, the NAIA Consortium received a letter from the Manila International Airport Authority (MIAA) terminating any further negotiations with the Consortium and withdrawing/revoking the original proposal status (OPS) and approvals earlier granted for the NAIA Unsolicited Proposal Project (see Note 35).



Dissolution of Light Rail Manila Holdings 2 and 6

On July 16, 2020, AC Infra BOD approved the dissolution of Light Rail Manila Holdings 2, Inc. and Light Rail Manila Holdings 6, Inc., the holding companies established for the planned LRT 2 and LRT 6 projects, by shortening its corporate life until September 30, 2021.

Increase in authorized capital stock and creation of preferred shares

On July 16, 2020, AC Infra Stockholders and BOD approved the (a) increase in authorized capital stock by ₱1.5 billion to ₱4.5 billion; and (b) creation of ₱1.5 billion preferred shares. The application for increase in authorized capital stock was approved by the SEC on December 29, 2020.

Investment in AC Industrial

Acquisition of KTM Asia Motorcycle Manufacturing, Inc. (KAMMI)

On May 5, 2021, AC Industrial acquired 990,000 number of shares of KAMMI from Adventure Cycle Philippines, Inc. (ACPI) for ₱99.0 million, representing 66% ownership. ACPI is a wholly owned subsidiary of AC Industrial.

Capital infusions

On September 6, 2021, the Parent Company made a capital infusion of ₱397.0 million equivalent to 397,000 redeemable preferred shares of AC Industrial to fund its automotive group's working capital and holding company's operating expenses. On various dates in 2020, the Parent Company made a capital infusion to AC Industrials amounting to ₱345.6 million for investments and to support its automotive business unit's operation.

Investment in IMI

Acquisition of Germaneers GmbH ("Germaneers")

On May 21, 2021, VIA Optronics GmbH ("VIA") acquired Germaneers GmbH ("Germaneers"), a high-tech engineering company focusing on automotive system integration and user interfaces (see Note 23).

Full redemption of outstanding redeemable cumulative preferred stocks

In August 2021, the IMI Board approved the full redemption of the outstanding redeemable cumulative preferred shares of AC Industrial (Singapore) Pte. Ltd. amounting to US\$70.0 million (₱3,555.6 million) and paid the dividends that have accrued as of the redemption date amounting to US\$2.2 million (₱111.7 million).

Initial public offering (IPO)

VIA Optronics, a 76%-owned German subsidiary of IMI, raised gross proceeds of \$93.8 million (net \$87.2 million after deducting underwriting discounts and commissions) through an IPO and was listed on the New York Stock Exchange on September 25, 2020. As a result of the IPO, IMI's ownership interest in VIA was diluted from 76.01% to 50.32% (see Note 23).

The fair value of the IMI shares held by the Group amounted to ₱9,702.9 million and ₱10,511.5 million as of December 31, 2021 and 2020, respectively. The voting rights held by the Group in IMI is 52.1% in 2021 and 2020.

Investment in AAC

Capital infusion

On various dates in 2021 and 2020, the Parent Company made additional investments in AAC's common shares amounting to ₱85.0 million and ₱286.6 million, respectively, to fund its various expenditures.



Investment in ALI

AREIT Inc.'s (AREIT) Purchase of Land

On January 5, 2021, AREIT purchased 9.8 hectares of land owned by TLI, in Laguna Technopark through a deed of sale for ₱1.1 billion, VAT-inclusive. The purchase was payable in cash upon execution of the deed of sale on January 21, 2021. The land is composed of four (4) parcels which is being leased by IMI for its manufacturing operations. The lease term is for the next seven years from January 1, 2021 until December 31, 2027 with annual escalation rate of 5%.

Sale of "The 30th"

On January 15, 2021, ALI and AREIT entered into a Deed of Sale of "The 30th". Located along Meralco Avenue in Pasig City, it is a building with a total gross leasable area (GLA) of 75 thousand square meters (sqm) composed of an office tower and a retail podium.

Merger of ALI and Cebu Holdings, Inc. (CHI) and its other subsidiaries

On December 16, 2021, the SEC approved the merger of ALI and its Constituent Corporations with ALI as the surviving entity (see Note 23).

Mercado General Hospital, Inc. (MGHI)

On February 26, 2021, White Knight Holdings, Inc. (White Knight), a wholly-owned subsidiary of ALI, completed the sale of its 39.20% share in the outstanding capital stock of MGHI to Healthway Philippines, Inc. (Healthway) (see Note 23).

Property-for-share swap

The property-for-share swap between ALI, and its subsidiaries, Westview Commercial Ventures Corporation (Westview), Glensworth Development, Inc. (Glensworth) and AREIT was approved by the SEC on October 8, 2021 (see Note 23).

Acquisition of interest of Laguna Technopark, Inc. (LTI)

On March 19, 2021, AyalaLand Logistics Holdings, Corp. (ALLHC) purchased the 5% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), which resulted to ALI's increased effective ownership in LTI to 71% from 68% (see Note 23).

Acquisition of shares by the Parent Company

On various dates in 2021, the Parent Company purchased ALI common shares at varied purchase price per share (see Note 24).

Employee Stock Ownership Plan (ESOWN)

The amendment of ESOWN Plan to increase the share allocation from 2.5% to 3.0% of total authorized capital stock was approved by the stockholders on April 21, 2021 (see Note 28).

The BOD of ALI approved the 2020 stock option program pursuant to their ESOWN (see Note 28).

Buyback program

On various dates in April 2021, ALI purchased a total of 30.0 million common shares at an average price of ₱32.94 per share for a total consideration of ₱988.0 million pursuant to its share buyback program.

On February 20, 2020, the BOD approved the increase of additional ₱25 billion to ALI's current share buyback program bringing the available balance to ₱26.1 billion. The program was implemented through open market purchases executed via the trading facilities of the PSE.



On various dates in February to March 2020, ALI purchased a total of 4,412,000 common shares at an average price of ₱35.67/share for a total consideration of ₱156.4 million, pursuant to its share buyback program.

Incorporation of Swift Aerodrome Services, Inc.

Swift Aerodrome Services, Inc. was incorporated on January 20, 2020 and is 100% owned by ALI Capital Corporation (ALICAP), a wholly owned subsidiary of ALI. The company was organized primarily to manage and operate airports owned by ALI.

Incorporation of Altaraza Development Corporation

Altaraza Development Corporation was incorporated on May 27, 2020 and is 51% owned by ALI and 49% owned by Gregorio Araneta, Inc. and Araza Resources, Inc. (Araneta Group). The company was organized primarily to acquire and develop or hold land for investments in Altaraza Estate in Bulacan.

AREIT's Initial Public Offering

AREIT filed its application for a REIT offering to the SEC on February 7, 2020. SEC issued its pre-approval of REIT registration on July 10, 2020 (see Note 23).

AREIT's BOD Approvals

On October 22, 2020, the BOD of AREIT, at its regular board meeting, approved the following items:

- The raising of up to ₱6.4 billion, with a tenor of up to 10 years, through the issuance of retail bonds and/or corporate notes for listing on the Philippine Dealing & Exchange Corp. (PDEX), and/or bilateral term loans, and/or preferred shares for the purpose of financing asset acquisitions.
- The establishment of credit facilities with banks amounting to ₱12.0 billion.
- Amendments to various sections of the By-Laws to align with the Revised Corporation Code and with recognized good corporate governance practices, and to digitalize certain governance processes, as endorsed by the Corporate Governance and Nomination Committee

Collateralized shares

ALI shares with carrying value of ₱3.0 billion and ₱798.0 million as of December 31, 2021 and 2020, respectively, were collateralized to secure the Parent Company's loan facility. The fair value of ALI shares collateralized amounted to ₱38.4 billion and ₱42.8 billion as of December 31, 2021 and 2020, respectively (see Note 18).

The fair value of ALI shares held by the Parent Company amounted to ₱250,443.2 million and ₱267,729.2 million as of December 31, 2021 and 2020, respectively. The voting rights held by the Parent Company in ALI is 68.1% and 67.3% as of December 31, 2021 and 2020, respectively.

Investment in AYCFL

On April 23, 2021, AYCFL redeemed in full the 26.2 million redeemable preferred shares registered in the name of AC Renewables International PTE Ltd. (ACRI), a subsidiary of ACEIC, with a par value of US\$10 per share for a total consideration of US\$262.2 million (₱13,318.2 million). AYCFL remained a wholly owned subsidiary of the Parent Company after the transaction.

Investment in AC Health

Healthway Philippines, Inc. (Healthway)

On August 23, 2021, AC Health infused ₱457.1 million to Healthway to fund the capital call request of Zodiac Health Ventures, Inc. (Zodiac). The infusion was applied as payment for subscription at par value of ₱100 to 145,000 common shares and 4.43 million preferred shares.

On January 15, 2020, AC Health and Healthway Asia Ltd. completed the sale of Healthway, making AC Health the new sole owner of the latter (see Note 23).



In October 2020, AC Health subscribed to 10,728,500 common shares and 10,848,500 redeemable preferred shares of Healthway both at ₱100 par value per share. On October 13, 2020, AC Health partially paid the subscription amounting to ₱493.1 million. Increase in the authorized capital stock of Healthway is pending approval with SEC.

On October 15, 2020, AC Health entered into a deed of assignment with Healthway to assign the 100% ownership in Zodiac. AC Health assigned to Healthway the 6.5 million common shares and 58.5 million preferred shares and ₱12.8 million subscription payable to Zodiac at a consideration of ₱0.5 million.

Incorporation of Vigos Ventures Inc. (VVI)

On January 7, 2020, VVI was approved by the SEC for incorporation with an authorized capital stock of ₱200 million. AC Health subscribed to 0.45 million common shares and 0.05 million common shares at a subscription price of ₱10 per share.

Acquisition of Mercado General Hospital, Inc. (MGHI)

In October 2020, AC Health, through its wholly owned subsidiary, Healthway, entered into a share purchase agreement with White Knight, a wholly-owned subsidiary of ALI to purchase 39.20% share in the outstanding capital stock of MGHI, the holding company of Qualimed healthcare network of hospitals and clinics (see Note 23).

In February 2021, the sale by White Knight to Healthway was completed (see Note 23).

Capital infusions

In February and August 2021, the Parent Company made additional investment in the preferred shares of AC Health amounting to ₱1,648.2 million and ₱458.0 million, respectively. This to fund AC Health's acquisition of MGHI (see Note 23) and to fund the building construction costs, equipment purchases, professional fees, working capital requirement and stock issuance costs of Zodiac, the cancer hospital of the Group. In relation to these investments, the Parent Company subscribed to a total of 421,240,000 preferred shares with a subscription price of ₱5 per share. A total of 68,005,829 shares are to be issued out of the existing authorized capital stock and the remainder are to be issued out of the increase in the authorized capital stock upon the approval of SEC. On December 9, 2021, AC Health received the approval of the SEC for the increase in authorized capital stock.

On various dates in 2020, the Parent Company made capital infusion to AC Health amounting to ₱2,487.4 million mainly to support new businesses as follows: Healthway (₱1,431.4 million), Zapfam, Inc. (₱121.4 million), VVI (₱120.0 million) and Zodiac Prime Ventures Holdings, Inc. (₱275.0 million).

Capital infusions were also used to fund another COVID19 initiative in forming a network of PCR laboratories in Tropical Disease Foundation, Qualimed Hospitals and the University of Cebu Medical Center. This was part of the Group's commitment to combat COVID-19. The funding was used in a joint project with Mercado Group that converted the Qualimed Hospital in Sta. Rosa, Laguna to a dedicated COVID-19 hospital and facility.

Investment in BHL

Ayala Corporation Technology Innovation Venture Fund (ACTIVE Fund)

In 2021, ACI Singapore invested additional US\$1.2 million (₱57.2 million) in ACTIVE Fund.

On various dates in 2020, ACI Singapore invested US\$1.4 million (₱65.8 million) for 11.11% share. BHL Group, through Total Jade Group, also has contributed US\$6.8 million.



In 2019, the Ayala Group established the ACTIVE Fund which will be the capital fund platform to understand disruptive trends and innovations which is key to staying relevant and future-ready as a Group. The platform allows participation and active involvement of business units within the Group. The ACTIVE Fund will be managed by Kickstart Ventures, Inc. and the Parent Company (thru Total Jade Group Limited, a wholly-owned subsidiary of BHL) will be the largest investor. The Fund will be participated in by the following subsidiaries of the Group (with their investment commitment): AC Ventures through BHL (US\$100 million), Globe Telecom, Inc. (US\$25 million), ACEI (US\$25 million), BPI (US\$20 million), and ACI (US\$20 million).

Investment in Yoma Group

On January 23, 2020, VIP disbursed US\$82.5 million into FMI via a convertible loan facility after securing approval from the Central Bank of Myanmar (see Note 10).

Investment in AC Ventures

Capital infusion

On November 15, 2021, the Parent Company made a capital infusion to AC Ventures amounting to ₱219.5 million to fund its additional investment in Globe Fintech Innovations, Inc (see Note 10).

On April 7, 2020, the Parent Company made a capital infusion to AC Ventures amounting to ₱155.4 million to fund its additional investment in BF Jade E-Service Philippines, Inc (see Note 10). The Parent Company also paid ₱69.6 million of its outstanding subscription payable in 2020.

Investment in AC Logistics

Capital Infusion

On August 27, 2021, the Parent Company made a capital infusion of ₱6.5 million to AC Logistics, which will serve as the vehicle for expanding AC's logistics portfolio. On September 6, 2021, the SEC approved the articles of incorporation and by-laws of AC Logistics. Its authorized capital stock amounted to ₱2.2 billion, divided into 2.2 billion common shares with par value of ₱1.00 per share.

On October 27, 2021, the Parent Company made a capital infusion of ₱101.0 million to AC Logistics, equivalent to its 101 million common shares. This is to fund its 49% equity share in the JV with Glacier Megafridge Inc. that will construct, operate and maintain a cold chain facility in CDO.

Investment in MWC

For MWC transactions, refer to Note 24, *Assets and Liabilities and Operations of Segment under PFRS 5*.

Material subsidiaries with material economic ownership interest

The principal place of business of the subsidiaries are as follows:

ALI

ALI's registered and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

MWC

The principal place of business of MWC is at the MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City.

IMI

The registered office address of IMI is at North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ), Bo. Biñan, Laguna.



Information of subsidiaries that have material non-controlling economic interests is provided below:

2021	ALI Group	ACEIC Group	IMI Group *
	(In Thousands, except for %)		
Proportion of equity interests held by non-controlling interest	53.9%	—**	47.9%
Voting rights held by non-controlling interest	31.9%	—	47.9%
Accumulated balances of non-controlling interest	₱156,130,433	₱31,950,182	₱13,395,505
Net income (loss) allocated to non-controlling interest	8,997,060	1,408,204	(628,324)
Comprehensive income allocated to material non-controlling interest	9,422,425	1,408,204	(615,193)
Dividends paid to non-controlling interest	1,324,396	614,730	—

**Translated using the exchange rate at the reporting date (US\$1:₱50.99 on December 31, 2021).*
*** While ACEIC is a wholly-owned subsidiary of the Parent Company, the material non-controlling interests within the ACEIC Group is generally attributable to the 34.35% ownership of the non-controlling interest in ACEN.*

2020	ALI Group	MWC Group	IMI Group *
	(In Thousands, except for %)		
Proportion of equity interests held by non-controlling interest	55.6%	48.6%	47.9%
Voting rights held by non-controlling interest	32.7%	19.8%	47.9%
Accumulated balances of non-controlling interest	₱155,770,958	₱22,726,144	₱13,498,751
Net income allocated to non-controlling interest	6,357,849	4,659,969	(182,619)
Comprehensive income allocated to material non-controlling interest	5,875,572	4,351,112	119,494
Dividends paid to non-controlling interest	931,185	7,356,681	—

**Translated using the exchange rate at the reporting date (US\$1:₱48.02 on December 29, 2020).*

The summarized financial information of these subsidiaries are provided below which are based on amounts before inter-company eliminations and PFRS 5 adjustments:

2021	ALI Group	ACEIC Group	IMI Group *
	(In Thousands)		
Statements of financial position			
Current assets	₱328,552,954	₱79,386,154	₱38,367,838
Noncurrent assets	416,911,409	140,274,013	18,912,948
Current liabilities	208,224,209	9,070,256	24,100,299
Noncurrent liabilities	266,737,833	94,173,884	9,633,573
Statements of comprehensive income			
Revenue	103,788,427	38,094,656	66,328,800
Profit attributable to:			
Owners of the parent	12,228,148	9,338,349	(538,783)
Non-controlling interests	3,431,215	1,388,829	(466,179)
Total comprehensive income attributable to:			
Owners of the parent	13,049,676	10,482,237	(2,018,006)
Non-controlling interests	3,602,282	1,419,096	(308,731)
Statements of cash flows			
Operating activities	7,926,077	16,482,880	(2,407,781)
Investing activities	(26,228,527)	(30,936,821)	(1,660,047)
Financing activities	14,836,640	17,569,302	(351,857)
Net increase (decrease) in cash and cash equivalents	₱3,465,810	₱3,115,361	(₱4,419,685)

**Translated using the exchange rate at the reporting date (US\$1:₱50.99 on December 31, 2021).*



2020	ALI Group	MWC Group (In Thousands)	IMI Group*
Statements of financial position			
Current assets	₱324,271,101	₱27,737,694	₱35,257,237
Noncurrent assets	397,223,273	128,788,871	19,185,226
Current liabilities	199,729,307	16,526,952	22,895,265
Noncurrent liabilities	261,585,735	79,836,158	3,652,428
Statements of comprehensive income (loss)			
Revenue	95,154,730	21,125,135	54,546,473
Profit (loss) attributable to:			
Equity holders of the parent	8,727,155	4,500,453	(165,922)
Non-controlling interests	2,267,083	45,334	(140,161)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	7,872,357	4,069,682	1,149,053
Non-controlling interests	1,977,371	93,930	(28,177)
Statements of cash flows			
Operating activities	(12,507,497)	(609,983)	3,740,816
Investing activities	(3,215,397)	(1,192,548)	(627,011)
Financing activities	12,673,776	13,571,546	1,455,441
Net increase (decrease) in cash and cash equivalents	(₱3,049,118)	₱11,769,015	₱4,569,246

*Translated using the exchange rate at the reporting date (US\$1:₱48.02 on December 29, 2020).

2019	ALI Group	MWC Group (In Thousands)	IMI Group*
Statements of financial position			
Current assets	₱295,434,250	₱14,405,614	₱34,125,320
Noncurrent assets	418,489,028	120,196,026	21,387,651
Current liabilities	226,583,524	21,922,179	22,977,661
Noncurrent liabilities	244,634,186	56,688,254	8,039,170
Statements of comprehensive income			
Revenue	166,705,332	21,949,770	63,312,278
Profit attributable to:			
Equity holders of the parent	33,188,399	5,495,509	(393,973)
Non-controlling interests	4,326,632	143,916	(274,166)
Total comprehensive income attributable to:			
Equity holders of the parent	32,449,920	4,360,850	(818,321)
Non-controlling interests	4,326,632	144,849	(322,237)
Statements of cash flows			
Operating activities	36,012,239	549,262	3,602,009
Investing activities	(42,572,063)	(692,482)	(2,947,608)
Financing activities	3,753,175	(289,128)	1,590,130
Net increase (decrease) in cash and cash equivalents	(₱2,806,649)	(₱432,348)	₱2,244,531

*Translated using the exchange rate at the reporting date (US\$1:₱50.64 on December 27, 2019).

3. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) and all amounts are rounded to the nearest pesos unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic.



The Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

The details and the impact of the adoption of the above financial reporting relief are discussed below.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- a. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b. Exposure, or rights, to variable returns from its involvement with the investee, and
- c. The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. The contractual arrangement with the other vote holders of the investee
- b. Rights arising from other contractual arrangements
- c. The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognize gain or loss, if any in profit or loss (under other income).

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statement of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.



In accounting for call and put options over non-controlling interests, management determines whether it has present access to the returns associated with the non-controlling interests. If the options give the Group access to the returns over the non-controlling interests, the Group consolidates the acquiree as if it acquired a 100% interest.

If the options does not give the Group present access to the returns over the non-controlling interests, the Group takes the view that the non-controlling interests should be accounted for in accordance with PFRS 10, *Consolidated Financial Statements*, and must be presented within equity separate from the equity of the Parent Company, until the option is exercised.

For the years ended December 31, 2021 and 2020, the call options are accounted for in accordance with PFRS 9, *Financial Instruments*, as a derivative asset carried at FVTPL.

The financial liability for the put option is accounted for under PFRS 9 like any other written put option on equity instruments. On initial recognition, the corresponding debit is made to a component of equity attributable to the parent, not to the non-controlling interest. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value payable on exercise are recognized in profit or loss also attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and reverses the component of equity that was reduced on initial recognition. If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities of the subsidiary, non-controlling interest and the cumulative translation adjustments recorded in equity, recognizes the fair value of the consideration received and any investment retained, while the resulting gain or loss is recognized in profit or loss. It also reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies and Disclosures

- Adoption of PIC Q&A 2018-12-E
In 2021, the ALI Group adopted the provision of PFRS 15 covered by PIC Q&A 2018-12-E on the treatment of land in the calculation of POC. The ALI Group applied the modified retrospective approach to recognize the impact with a reduction in the beginning retained earnings by ₱2,838 million and beginning NCI of ₱16.3 million.

The impact at AC Group is a reduction in the beginning retained earnings and NCI by ₱1,093.0 million and ₱1,593.2 million, respectively.

- Capitalization of borrowing costs in property and equipment and investment properties
The ALI Group started capitalizing borrowing costs from its property and equipment and investment properties under construction. The ALI Group recognized the impact of the change against the beginning retained earnings in 2021 amounting to ₱1,993 million. The impact to the comparative accounts and amounts are increase in noncurrent assets and equity, and net income by ₱635.0 million and ₱354 million in 2020 and 2019, respectively.

At AC Group, the impact is increase in beginning retained earnings and NCI amounting to ₱885.7 million and ₱1,107.4 million



The changes above did not have any significant impact on the consolidated statement of cash flows of the Group.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years, except for the amended PFRS and improvements to PFRS which were adopted beginning January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption of these new pronouncements did not have significant impact on the consolidated financial statements of the Group.

- **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.

The Group adopted the amendment beginning April 1, 2021.

- **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 Group 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 Group adopted the amendments beginning January 1, 2021.



- Adoption of PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales* (as amended by PIC Q&A 2020-05)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since ALI has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

New standards and interpretations that have been issued but are not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.



- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- 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*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.



Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
 - What is meant by a right to defer settlement
 - That a right to defer must exist at the end of the reporting period
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification



The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The Group is assessing the quantitative impact of PFRS 17 as of reporting date.

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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.



- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

As discussed under Changes in Accounting Policies, the Group adopted the provision of PFRS 15 that covered its treatment of land in the determination of POC as discussed in PIC Q&A 2018-12-E. As allowed under SEC MC No. 34, the Group adopted the change under the modified retrospective approach.

SEC MC No. 34-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Costs) is not applicable to the Group as it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

ALI Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, ALI Group assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability, the cash flows from operations and cash flows from financing activities.



Under SEC Memorandum Circular No. 08, series of 2021, real estate companies are provided the accounting policy option of applying the provisions of the above PIC Q&A either using the full retrospective approach where prior year financial statements are restated or modified retrospective approach where the impact of the adoption is reflected in the beginning retained earnings of the year of adoption.

The ALI Group believes that the mismatch for its contract to sell does not constitute a significant financing component that is material to the Group based on the examples provided in the PIC letter dated November 11, 2020.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated 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 twelve months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and which are subject to an insignificant risk of changes in value.

Short-term Investments

Short-term investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition. These earn interest at the respective short-term investment rates.

Financial Instruments

The Group accounted for financial instruments in accordance with PFRS 9, *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 instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.



'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under "Interest income" or "Interest and other financing charges" unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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, except for installment contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies under revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers 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 the 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 market place (regular way trades) are recognized on the trade date, i.e., the date that the Group 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 FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group 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.



If the Group revises its estimates of receipts of future cashflows, it shall adjust the gross carrying amount of the financial asset to reflect the revised estimated contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognized in the profit or loss as income or expense.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments, accounts and notes receivables, deposits, and debt instruments which are classified as financial assets at amortized cost.

Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition the cumulative fair value change recognized in OCI is recycled to profit or loss.

This category includes investment in bonds classified as financial assets at fair value through OCI.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at FVOCI includes investments in quoted and unquoted equity instruments.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.



This category includes convertible bonds or loans, derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are also recognized as other income in the consolidated statement of income when the right of payment has been established.

Return of capital is recorded as reduction against the investment account.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency swaps, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which these are entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Group actually hedges and the quantity of the hedging instrument that Group actually uses to hedge that quantity of hedged item.

As at December 31, 2021, the Group has designated its foreign currency swap contracts as cash flow hedges.



Hedges that meet all the qualifying criteria for cash flow hedge accounting are accounted for, as described below:

The effective portion of the gain or loss on the hedging instrument is recognized in equity as 'Cash flow hedge reserve', while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency swap contracts, as hedges of its exposure to foreign currency risks in its US Dollar denominated loans. The ineffective portion relating to foreign currency swap contracts is recognized as Other income.

The amounts accumulated in 'Cash flow hedge reserve' is reclassified to the consolidated statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statement of income.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in 'Cash flow hedge reserve' must remain in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately recognized in the consolidated statement of income as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in equity shall be reclassified to the parent company statement of income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.



When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) 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 Group expects to receive, discounted at an approximation of the original effective interest rate (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 trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and a vintage analysis for residential and office development receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued receivable, receivable from related parties, receivable from officers and employees, and advances to other companies financial assets at amortized cost (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group 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 Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. The



Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

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 Group's financial liabilities include accounts payable and accrued expenses, short-term debt, long-term debt, other current and non-current liabilities (other than liabilities accrued by other accounting standards such as income tax payable, provisions, etc.).

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purposes of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Loans and borrowings

This is the category most relevant to the Group. 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 interest and other financing charges in the consolidated statement of income.

This category generally applies to interest-bearing loans and borrowings.



Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVTPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's accounts payable and accrued expenses, dividends payables and subscriptions payable (other than liabilities covered by other accounting standards such as pension liability and income tax payable).

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

For financial liabilities where the modification is not considered substantial and the original loan contains prepayment option at par with no penalty, the Group considers this as a refinancing of loan at market rate and account for the modification as a prospective adjustment of EIR with no modification gain or loss in the consolidated statement of income.

Based on the Group's assessment, modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.



Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. 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 the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial guarantee contracts

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 33 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized over the period of the guarantee.

Exchangeable bonds

The exchangeable bond is classified as a compound instrument and accounted for using split accounting. The value allocated to the equity component at initial recognition is the residual amount after deducting the fair value of the liability component from the issue proceeds of the exchangeable bonds. Transaction costs incurred in relation to the issuance of the exchangeable bonds was apportioned between the liability and equity component based on their values at initial recognition.

Subsequently, the liability component is carried at amortized cost using the effective interest rate method while the equity component is not revalued. When the conversion option is exercised, the carrying amount of the liability and equity component is derecognized and their balances transferred to equity. No gain or loss is recognized upon exercise of the conversion option. The difference between the liability, the equity conversion option, and the non-controlling interest is lodged under Equity Reserve.

Deposits, customers' guaranty and other deposits

Deposits, customers' guaranty and other deposits are initially measured at fair value. After initial recognition, these are subsequently measured at amortized cost using the EIR method. The difference between the cash received and its fair value is deferred (included in the "Deferred credits" account in the consolidated statement of financial position). Deposits are amortized using the straight-line method with the amortization included under the "Costs of rendering of services" account in the consolidated statement of income while customers' guaranty are amortized over the remaining concession period with the amortization included under "Interest and other financing charges" in the consolidated statement of income.



Concession Receivable

The Group accounts for its concession arrangement with the DOTr under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement, the Group is awarded the right to build and operate an integrated transport terminal for Metro Manila and its adjacent provinces. The legal title to these assets shall be transferred to the government at the end of the concession period.

The "Concession Financial Receivable" pertains to the fair value of the Annual Grantor Payment related to the operating and maintenance services and recovery of construction costs of the terminal facility. These are amortized using the effective interest rate over the life of the related concession.

In addition, the Group recognizes and measures construction revenues and costs in accordance with 'percentage of completion method'. Contract revenue and costs from construction works are recognized as "Construction Revenue" and "Construction Costs" in profit or loss in the period in which the work is performed.

Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and conditions are generally accounted for as follows:

Real estate inventories

- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

Vehicles - purchase cost on specific identification basis.

Finished goods and work-in-process - determined on a moving average basis; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity.

Parts and accessories, materials, supplies and others - purchase cost on a moving average basis. NRV for real estate inventories, vehicles, finished goods and work-in-process and parts and accessories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale, while NRV for materials, supplies and others represents the related replacement costs. In the event that NRV is lower than cost, the decline shall be recognized as an expense in the consolidated statement of income.

An allowance for inventory losses is provided for slow-moving, obsolete and defective inventories based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Distinction of inventories and investment properties

If it is in the Group's ordinary course of business (supported by its strategy) to hold property for short-term sale rather than for long-term capital appreciation or rental income, the entire property (including the leased units) are accounted for and presented as inventory. This will continue to be the case as long as it remains the intention to sell the property in the short term. Rent received are included in other income as it does not represent a reduction in the cost of inventory.



Properties intended for sale in the ordinary course of business, no matter whether leased out or not, are outside the scope of PAS 40. However, if a property is not intended for sale, PAS 40 requires the property to be transferred from inventory to investment property when there is a change in use. The change can be evidenced by the commencement of an operating lease to another party.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees and advertising and promotion, taxes and licenses, rentals and insurance.

Creditable Withholding Tax

This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

Value-Added Tax (VAT)

Expenses and assets are recognized, net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Deposits in Escrow

Deposits in escrow pertain to the proceeds from the sale of the Group's projects that have only been granted temporary License to Sell (LTS) as of reporting date. These proceeds are deposited in a local bank and earn interest at prevailing bank deposit rates.

Advances to Other Companies and Contractors and Suppliers

Advances to other companies and advances to contractors and suppliers are carried at cost less impairment losses, if any. Prepayments for the construction of investment property and property and equipment are classified as non-current asset while the portion representing prepayments for the construction of real estate inventories are reclassified as other current assets.

Noncurrent Assets Held for Sale and Discontinued Operations

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. At reporting date, the Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

For investments in associate and joint venture, the equity method of accounting ceases from the time the investment is classified as Noncurrent assets held for sale.



A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

The related results of operations of the disposal group that qualified as discontinued operation are separated from continuing operations.

When an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met (subject to the allowed exception) and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

Extension of the period required to complete a sale

An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). An exception to the one-year requirement shall apply in the following situations which such events or circumstances arise:

- (a) at the date an entity commits itself a plan to sell a non-current asset (disposal group) it reasonably expects that others (not buyer) will impose conditions on the transfer of the asset (or disposal group) that will extend the period required to complete the sale, and:
 - (i) actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and
 - (ii) a firm purchase commitment is highly probable within one year.
- (b) an entity obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and;
 - (i) Timely actions necessary to respond to the conditions have been taken, and
 - (ii) a favorable resolution of the delaying factors is expected.
- (c) During the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non-current asset (or disposal group) previously classified as held for sale is not sold by the end of that period, and:
 - (i) during the initial one-year period the entity took action necessary to respond to the change in circumstances,
 - (ii) the non-current asset (or disposal group) is being actively marketed at a price that is reasonable, given the change in circumstances, and
 - (iii) the criteria to classify non-current assets and disposal groups as held for sale are met

Reversal of impairment loss of a Disposal Group

Any subsequent increase in fair value less costs to sell of an asset up to the cumulative impairment loss previously recognized either in accordance with PFRS 5 or in accordance with PAS 36 should be recognized as a gain. In the case of a disposal group, any subsequent increase in fair value less costs to sell should be recognized:

- a) to the extent that it has not been recognized under another standard in relation to those assets outside the scope of PFRS 5's measurement requirements; but
- b) not in excess of the cumulative amount of losses previously recognized under PFRS 5 or before that under PAS 36 in respect of the non-current assets in the group which are within the scope of the measurement rules of PFRS 5.



Any impairment loss (or any subsequent gain) recognized for a disposal group should be allocated to the non-current assets in the group that are within the scope of the measurement requirements of PFRS 5. The order of allocation should be:

- first, to reduce the carrying amount of any goodwill in the group; and
- then, to the other non-current assets of the group pro rata on the basis of the carrying amount of each asset in the group.

Loss of control of a subsidiary

If a Parent Company loses control of a subsidiary that constitutes a business in a transaction that is not a downstream transaction and the retained interest is an investment in an associate or joint venture, the retained interest is remeasured at its fair value, and this fair value becomes the cost on initial recognition of the investment in an associate or joint venture.

To apply the equity method from the date control is lost, the Parent Company remeasures all the identifiable assets and liabilities underlying the investment at their fair values, i.e., the Parent Company performs a new purchase price allocation.

Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as other income in the period in which the investment is acquired and is included in the carrying amount of the investment.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in associates or joint ventures is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of these investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment or joint venture determined using the equity method together with any long-term interest that in substance forms part of the Group's net investment in associate or joint venture. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligation or made payments in behalf of the associate or joint venture.



If the associate or joint venture subsequently reports profits, the Group resumes recognizing its share of their profits only after its share of the profit equals the share of loss not recognized.

The aggregate of the Group's share in net profits or loss of associates and joint ventures is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as "Share in net profits of associates and joint ventures" in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals and for capital appreciation, and are not occupied by the companies in the Group. The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (including borrowing cost) are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. Construction-in-progress is not depreciated or amortized until such time that the relevant assets are completed and put into operational use.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, regardless of utilization. The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties which comprised of buildings, ranges from 20 to 40 years.



Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engaged independent valuation specialist to assess fair value as of December 31, 2020 and 2019. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property and income approach by reference to the value of income, cash flow or cost saving generated by the asset.

Property, Plant and Equipment

Property, plant and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property, plant and equipment consists of its construction cost or purchase price and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use.

Construction-in-progress is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated or amortized until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use and computed on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings and improvements	20 to 40 years
Plant, machinery and equipment	5 to 25 years
Hotel property and equipment	20 to 50 years
Furniture, fixtures and equipment	3 to 10 years
Transportation equipment	3 to 5 years

The assets' residual values, useful lives and depreciation and amortization methods are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.



When property, plant and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Service Concession Arrangements

Intangible Asset Model

The Parent Company accounts for its concession arrangements with DPWH under the Intangible Asset model as the Group receives the right (license) to charge users of public service. The concession agreement sets out the terms and condition under which the Parent Company will finance, design, construct, operate and maintain the entire infrastructure as an open-system tolled expressway. The legal title to these assets shall remain with DPWH at the end of the concession period.

The Parent Company recognizes and measures revenue and cost from construction works in accordance with IFRIC 12 for the services it performs. When the Parent Company provides construction or upgrade services, the consideration received or receivable by the Parent Company is recognized at its fair value.

The Parent Company recognizes its contractual obligations to restore certain parts of the infrastructure to a specified level of condition in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as the obligations arise.

Service Concession Asset

The "Service Concession Asset" (SCA) includes the MCX business of the Parent Company which is recognized initially at the fair value of the works performed by the Parent Company. Following initial recognition, the SCA is carried at cost less accumulated amortization and any impairment in value.

Amortization of SCA commences once the SCA are available for use and is computed using the straight-line basis over the estimated useful life of the SCA of 30 years.

The amortization period and method are reviewed at each financial year-end to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the SCA is accounted for as changes in accounting estimates. Regular repairs and maintenance incurred on the SCA is charged against current operation as incurred.

The Parent Company appoints a facility operator and engages a maintenance and operations advisor to carry out the Operation and Maintenance (O&M) of the MCX in accordance with the Concession Agreement. The Parent Company shall pay the recurring annual fees, subject to yearly fee escalations. O&M cost is included in the "General and Administrative Expense" account in the consolidated statement of income (see Note 22).

The SCA will be derecognized upon turnover to the DPWH. No gain or loss will be recognized upon derecognition since the SCA is expected to be fully amortized at the end of the concession period.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and provision for impairment loss, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The estimated useful life of intangible assets is assessed as either finite or indefinite.



The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

The estimated useful lives of intangible assets are as follows:

Leasehold rights	20 to 23 years
Customer relationships	5 years
Unpatented technology/intellectual properties	5 years
Developed software	3 years
Licenses	3 years
Trademarks	14 years
FIT contract	20 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and is recognized in the consolidated statement of income when the intangible asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset under "Project Development Cost" when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and,
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. The estimated useful life of research and development costs is 5 years. During the period of development, the asset is tested for impairment annually.

Leases effective January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



Group as a lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets 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 assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and 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. Unless the Group is reasonably certain to obtain ownership of the leased asset

At the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Land, building and improvements	10-50 years
Transportation equipment	3-10 years
Others	5 years

Right-of-use assets are subject to impairment. Refer to the accounting policies in Impairment of non-financial assets section.

ii) Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. 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.

In calculating the present value of lease payments, the Group 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.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value as defined in the accounting policies of subsidiaries. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.



Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straightline basis over the lease term and is included in revenue in the consolidated statement of income 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 recognised 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.

Lease concessions

The Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. Where the Group has evaluated that the rent concessions do not qualify as a lease modification, the Group accounts for the lease concessions in the form of negative variable rent which the Group records when the concession is granted, regardless of the period to which the concession pertains.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and included under "Remeasurement gain/loss arising from business combination" in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date if the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.



Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Combinations of Entities Under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method generally involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparative financial information are presented as if the entities had always been combined.

The effects of any intercompany transactions are eliminated to the extent possible.



Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill and intangible assets with indefinite life, 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization 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 useful life.

Investments in associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee company. The Group determines at each reporting date whether there is any objective evidence that the investment in the investee company may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the Group estimates its future cash flows using key assumptions and the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The Group calculates the amount of impairment as being the difference between the recoverable amount of the investee company and the carrying cost and recognizes the amount as a reduction of the investment account and is recorded under "Provision for impairment losses" under the general and administrative expenses account in the consolidated statement of income.



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 by the Group.

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.

The Group 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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) market prices in active markets for identical assets and 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 is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Provisions

Provisions are recognized when the Group 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 Group 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.



Equity

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" (APIC) account. Direct costs incurred related to equity issuance are chargeable to APIC account. If APIC is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares and is presented as reduction from equity.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group'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 Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC when the shares were issued and to retained earnings for the remaining balance.

For the Preferred A treasury shares, the amount reflected under treasury stock pertains to par value.

Revenue and Cost Recognition

The Group accounted for its revenue under PFRS 15, *Revenue from Contracts with Customers*, as follows:

ALI Group's Revenue from Contracts with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

Real estate sales

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue and the related trade receivables on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.



Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under residential and office development receivables account. Any excess of collections over the total of recognized trade receivables is included in the "customer deposit" account in the liabilities section of the consolidated statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Group availed the relief granted by the SEC under Memorandum Circular No. 34 which has been extended until December 31, 2023.

Cost recognition

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Marketing fees, management fees from administration and property management are recognized as expense when services are incurred.

Hotel and resorts revenue

ALI Group recognizes room accommodation services over time since the guest simultaneously receives and consumes the services provided by ALI Group. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Revenue from banquets and other special events are recognized when the events take place.

Cost of hotel operations

Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Construction revenue and cost

Revenue from fixed price construction contracts are recognized over time using the milestone-based revenue recognition which is in reference to output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.



Rental income

Rental income under noncancellable and cancellable leases on investment properties is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, and/or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

No rental income is recognized when ALI Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment.

IMI Group's Revenue from Contracts with Customers

IMI Group is in the business of providing electronic manufacturing and other related services to various customers. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which IMI Group expects to be entitled in exchange for those goods or services. IMI Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Manufacturing services

IMI Group provides manufacturing services in accordance with the customer's specifications. IMI Group promises to provide a combined performance obligation comprised of non-distinct goods or services, which include issuance of materials to production, assembly, testing and packaging.

Contracts with customers are generally classified as turnkey or consignment. In a turnkey contract, IMI Group procures the materials and provides the assembly services to the customer. In a consignment contract, IMI Group only provides assembly services to the customer.

For turnkey contracts, revenue is recognized over time since the products created have no alternative use to IMI Group and IMI Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than IMI Group's failure to perform as promised.

For goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time, when control of the asset is transferred to the customer, generally when goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customer.

For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as IMI Group performs its obligation.

Revenue from optical bonding technology and metal mesh touch sensors (VIA and VTS)

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which IMI Group expects to be entitled in exchange for those goods or services. IMI Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring the, to the customer.

Non-recurring engineering services

Non-recurring engineering charges, tooling and other pre-production revenue stream (NREs) are recognized at a point in time since the criteria for over time recognition is not met. This is based on the assessment that while, in general, IMI Group has no alternative use for these NREs, either due to customization or restrictions by the customer, there is no assurance or relevant experience that IMI has enforceable right to payment or can recover the cost, plus reasonable margin, in case of contract termination. Point in time revenue recognition for NREs would mean revenue is recognized upon customer acceptance of the NREs (transfer of control).



IMI Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., customer options that provide material rights to customers, warranties). In determining the transaction price, IMI Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer, if any.

Variable consideration

If the consideration in a contract includes a variable amount, IMI Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

IMI Group's contracts with its customers are short-term in nature. Using the practical expedient in PFRS 15, IMI Group does not adjust the promised amount of consideration of the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

IMI Group does not have significant separate performance obligations wherein the transaction price needs to be allocated as of December 31, 2021 and 2020.

Warranty obligations

IMI Group provides warranties for general repairs of defects that existed at the time of sale. The warranties provided are customary per industry practice. These assurance-type warranties are accounted for under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

IMI Group does not provide warranty beyond fixing defects that existed at the time of sale or outside of industry practice. After-sales repairs are arranged with customers separately and are accounted for as any other manufacturing service contract with customers.

ACEIC Group's Revenue from Contracts with Customers

Sale of Electricity

Sale of electricity is consummated whenever the electricity generated by the ACEIC Group is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sales of electricity using bunker fuel are composed of generation fees from spot sales to the Wholesale Electricity Spot Market (WESM) and supply agreements with third parties and are recognized monthly based on the actual energy delivered.

Starting December 27, 2014, sales of electricity to the WESM using wind and solar are based on the FIT rate under the FIT System and are recognized monthly based on the actual energy delivered. Meanwhile, revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

The ACEIC Group identified the sale of electricity (power generation, trading and ancillary services) where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer. The ACEIC Group concluded that the revenue should be recognized over time since the customers simultaneously receives and consumes the benefits as the ACEIC Group supplies electricity.



Retail supply also qualifies as a series of distinct services which is accounted for as one performance obligation since the delivery of energy every month is a distinct service which is recognized over time and have the same measure of progress.

For power generation and trading and retail supply, the ACEIC Group uses the actual kwh dispatched which are also billed on a monthly basis.

For ancillary services, the ACEIC Group determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The ACEIC Group recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

AC Industrials' Revenue from Contracts with Customers

AC Industrials primarily derives its revenue from sales of vehicles, parts and accessories and services. Revenue from contract with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. AC Industrials assesses its revenue arrangements against specific criteria in order to determine whether it is acting as principal or as an agent.

Revenue from sale of vehicles, parts and accessories

Revenue from sale of vehicles, parts and accessories is recognized at the point in time when the control of the asset is transferred to the customer. Payment terms on sales of vehicles ranges from 30 to 90 days. Revenue from sale of vehicles also includes revenue from the registration services provided. Revenue is measured at the fair value of the considerations received or receivable, net of sales returns and discounts.

AC Industrials considers whether there are other promises in the contract that are separate performance obligation to which a portion of the transaction price needs to be allocated. In determining the transaction price of multiple performance obligation identified in one contract, allocation is based on relative stand-alone selling price of each of the promised goods or services.

A contract liability is the obligation to transfer goods or services to a customer for which the AC Industrials has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the transfer of goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when AC Industrials performs under the contract.

AC Industrials considers "Customers' deposits" account presented under the liabilities section of the statement of financial position as contract liabilities.

Revenue from sales of services

Revenue from services and others include vehicle repairs, rust proofing, incentives from insurance and financing and management fee. Revenue from sales of services are recognized overtime and payment is generally due upon completion of the units and acceptance of the customers.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.



Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of sales" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract

ALI Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, ALI Group determines whether there is an indication that cost to obtain a contract may be impaired. If such indication exists, ALI Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that ALI Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, ALI Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, their judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.



Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer.

The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Cost to obtain a contract

IMI Group pays sales commission to its employees for each contract that they obtain for bundled sales of equipment and installation services. IMI Group has elected to apply the optional practical expedient for costs to obtain a contract which allows IMI Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that IMI Group otherwise would have used is one year or less.

Expenses

Expenses are recognized in the consolidated statement of income 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.

Expenses are recognized in the consolidated statement of income:

- 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 consolidated statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties", "Property, plant and equipment" and "Service concession assets" accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.



Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Pension liabilities are the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net pension asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



Defined contribution plan

IMI

IMI's subsidiaries in Singapore, China and Hong Kong, Czech Republic, Mexico, Germany, and UK participate in the respective national retirement schemes defined by the laws of the countries in which it has operations. These retirement schemes are considered as defined contribution plans. A defined contribution plan is a plan under which the subsidiary pays fixed contributions. Each subsidiary has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The required contributions to the national retirement schemes are recognized as retirement expense as accrued.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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 are enacted or substantively enacted as of reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized.



Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 as 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 as 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 to 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 the same taxable entity and the same authority.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is initially recognized as a liability in the consolidated balance sheet and recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to the acquisition or construction of a fixed asset, it is initially recognized as a liability in the consolidated balance sheet and recognized as income in equal amounts over the period of depreciation of the related asset.

Foreign Currency Transactions

The functional and presentation currency of the Parent Company and its subsidiaries (except for AYCF, ACIFL, PFIL, BHL, AIVPL and IMI), is the Philippine Peso (₱). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognized in the consolidated statement of comprehensive income until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.



The functional currency of AYCF, ACIFL, PFIL, BHL, AIVPL and IMI is the US Dollar (US\$). As of the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date and their statement of income accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity as "Cumulative Translation Adjustments". On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in the consolidated statement of income.

Exchange differences arising from elimination of intragroup balances and intragroup transactions are recognized in profit or loss. As an exception, if the exchange differences arise from intragroup balances that, in substance, forms part of an entity's net investment in a foreign operation, the exchange differences are not to be recognized in profit or loss, but are recognized in OCI and accumulated in a separate component of equity until the disposal of the foreign operation. Where circumstances have changed such that the entity decides that the monetary item is planned or is likely to be settled in the foreseeable future and ceases to form part of the net investment in a foreign operation, exchange differences that arise after that date are recognized in profit or loss.

On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

The Group's share in the translation adjustments of associates and joint ventures are likewise included under the "Cumulative Translation Adjustments" account in the consolidated statement of comprehensive income.

Share-based Payments

The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will ultimately vest. Fair value is determined by using the Binomial Tree and Black-Scholes model, further details of which are provided in Note 28 to the consolidated financial statements.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the awards ('vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.



Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options

For options granted before November 7, 2002 that have vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 26).

Employee share purchase plans

The Parent Company and certain subsidiaries have employee share purchase plans (ESOWN) which allow the grantees to purchase the Parent Company's and its respective subsidiaries' shares on installment payment plan. The Group recognizes stock compensation expense over the holding period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. The Group treats its ESOWN plan as option exercisable within a given period. For the measurement of the fair value of options at the grant date, the Parent Company uses a Black-Scholes Merton Formula. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to common equity owners of the Parent Company by the weighted average number of common shares issued and outstanding during the year. The net income attributable to common equity owners of the Parent Company is net of dividends attributable to preferred equity holders.

Diluted EPS is computed by dividing net income attributable to common equity holders of the Parent 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. Calculation of diluted EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Parent Company. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 29 to the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.



Events after the Reporting Period

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

The following are the accounting policies specifically for MWC which was already deconsolidated as of December 31, 2021.

Service Concession Arrangements

Intangible Asset Model

MWC Group for its concession arrangements with Metropolitan Waterworks and Sewerage System (MWSS), Provincial Government of Laguna (PGL), Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and Clark Development Corporation (CDC), Obando Water District (OWD), Calasiao Water District (CWD) and Bulacan Water District (BuWD); JVAs with Pagsanjan Water District (PAGWAD), Tanauan Water District (TnWD), Lambunao Water District (LWD), and Calbayog City Water District (CCWD); and SMA with CIWD under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the MWC Group's concession agreements, the MWC Group is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide the public water services. The legal title to these assets shall remain with, MWSS, PGL, TIEZA, CDC, OWD, BuWD, CCWD, TnWD, PAGWAD, LWD and CIWD at the end of the concession period.

On the other hand, the bulk water sale and purchase agreements with CIWD, TWD, and MCWD are accounted for under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the service concession arrangements, Cebu Water, Tagum Water, and Ilagan Water are awarded the right to deliver bulk water supply to the grantor for a specific period of time under the concession period.

During the construction phase of the arrangements, the MWC Group's contract asset (representing its accumulating right to be paid for rehabilitation works) is presented as part of "Service concession assets" (SCA) for Intangible Asset model and under "Contract Assets" for Financial Asset model. The SCA also include the present value of the service concession obligations assumed by MWC at drawdown date and other local component costs and cost overruns paid by the MWC Group, as well as additional costs of rehabilitation works incurred.

Amortization of SCA commences once the SCA are available for use and are calculated on a straight-line basis over the remaining concession period. Beginning May 1, 2017, the SCA of MWC, Boracay Island Water Company (BIWC), Clark Water Corporation (CWC), and Laguna AAA Water Corporation (LAWC) are amortized using the units of production (UOP) method over the expected total billable volume for the remaining concession period to better reflect the usage of the SCA, which is directly related to its expected total billable volume and is aligned with industry practice.

Financial Asset Model

On the other hand, the concession arrangement with the Department of Transportation (DOTr), Provincial Government of Cebu (PGC) and Tagum Water District (TWD) are accounted for under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement with PGC and TWD, Cebu Manila Water Development, Inc. (CMWD) and TWC, both subsidiaries of MWC, are awarded the right to deliver bulk water supply to the grantor for a specific period of time under the concession period. The concession agreement with DOTr qualifies under the Financial Asset model as Arca South Integrated Terminal Inc. (ASITI), a subsidiary of ALI, has an unconditional contractual right to receive cash or other financial assets (i.e., the Annual Grantor Payment) for its construction, operating and maintenance services directly from DOTr.



Under this model, the operator recognizes a financial asset in its consolidated statement of financial position in consideration for the services it provides (design, construction, etc.). Such financial assets are recognized in the consolidated statement of financial position under "Other current assets" and "Other noncurrent assets" in an amount corresponding to the fair value of the infrastructure on first recognition and subsequently at amortized cost. The receivable is settled when payments from the grantor are received. The financial income calculated on the basis of the effective interest rate is recognized in profit or loss.

Water Rights

Water rights are accounted for as an intangible asset with indefinite useful life. These pertain to the permit acquired separately, and are recognized as an intangible asset as these were issued by the National Water Resources Board (NWRB) without an explicit provision on the period of effectivity. Costs incurred for the acquisition of water rights are capitalized and measured on initial recognition at cost.

Presidential Decree No. 1067, also known as the Water Code, states that water permits shall continue to be valid as long as water is beneficially used. The rights may be suspended or revoked based on certain grounds such as non-compliance with approved plans and specifications or schedules of water distribution, and use of water for a purpose other than that for which it was granted.

All water permits are subject to modification or cancellation by the NWRB, after due notice and hearing, in favor of a project of greater beneficial use or for multi-purpose development, and a water permittee who suffers thereby shall be duly compensated by the entity or person in whose favor the cancellation was made.

Revenue and Cost Recognition

MWC Group's Revenue from Contracts with Customers

Revenue recognized over time using output method

- *Water and sewer revenue*
Water and sewer revenue is recognized over time as the customer receives and consumes the benefit from the performance of the related water and sewerage services. Water and sewerage are billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers. Also, twenty percent (20%) of water revenue is recognized by MWC as environmental charge.
- *Operation and maintenance services*
Revenue from operation and maintenance services is recognized over time as the operation, maintenance, and management services are rendered for water and waste water facilities of Bonifacio Water Corporation (BWC).
- *Performance fees*
Performance fees are recognized as revenue over time as the NRW are recovered as agreed in the (Non-revenue Water Reduction Service Agreement) NRWSA with ZCWD.

MWC Group recognizes revenue from water and sewer services, environmental charge, operation and maintenance services and performance fees over time using output method. As practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount to which MWC Group has a right to invoice since MWC Group bills a fixed amount for every cubic meter delivered or NRW recovered.

- *Connection fees and supervision fees*
Prior to January 1, 2020, revenue from supervision fees of MWPVI, Aqua Centro, EcoWater, and

Laguna Water is accounted for as connection fees.



Connection fees are amounts paid by customers in exchange for the set-up of a connection from the customer's establishment to MWC Group's water or sewer network. Revenue from connection fees is recognized over time, using output method based on time elapsed over the period when the related water and sewer services are expected to be provided.

Supervision fees arise from MWPVI, Aqua Centro, EcoWater, and Laguna Water's assurance of potable water and effective used water services for new developments, and performance of certain functions which includes, but is not limited to, the provision of design and project management services in the development of water and used water facilities. Revenue from supervision fees is recognized over time, using output method. Under this method, progress is measured using survey of performance completed to date and milestone reached. This is based on the work accomplishment report prepared by the project contractor as approved and reviewed by the project management head.

With the new information gathered from operating greenfield projects and changes in circumstances, the allocation of the transaction price between connection fees and future water services was reassessed. As a result, the supervision fees are allocated between connection fees and future water services (as consideration for water affordability or lower water tariff) based on the relative stand-alone selling price method for contracts and projects initiated starting January 1, 2020. The stand-alone selling price of connection fee is estimated based on adjusted market assessment approach while the stand-alone selling price allocated to future water services is estimated considering actual and projected water tariffs. The change in estimate is accounted prospectively and supervision fees pertaining to existing projects as of December 31, 2019 will continue to be accounted for entirely as connection fee.

- *Revenue from pipeworks and integrated used water services*
Revenue from pipeworks and integrated used water services is recognized over time as the water and wastewater network related services are rendered, using output method. Under this method, progress is measured using survey of performance completed to date and milestone reached. This is based on the work accomplishment report prepared by the project contractor as approved by the project management head.

MWC Group has determined that the output method is the appropriate method in measuring progress of the connection services, project management services, and pipeworks and integrated used water services since this depicts MWC Group's performance in managing and providing service connection from water and used water facilities to the developments.

Revenue recognized over time using input method

- *Revenue from rehabilitation works and Cost of rehabilitation works*
Revenue from rehabilitation works is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements which is recognized as part of SCA or concession financial receivables and pertain to revenue from construction or upgrade services. Revenue from rehabilitation works is recognized over time, using input method. Under this method, progress is measured by reference to the actual costs incurred to date.
- *Construction revenue*
Construction revenue arise from the NRWSA with ZCWD for the establishment of district metering areas. Revenue from construction services is recognized over time, using input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and overhead relative to the total project costs.



- *Service fees*
Service fees for technical assistance extended to ZCWD are recognized over time, using input method, when the related services have been rendered to the ZCWD. Under this method, progress is measured based on actual costs incurred on manpower and overhead relative to the total project costs.

MWC Group determined that the input method is the appropriate method in measuring progress of the rehabilitation works, construction revenue and service fees because there is a direct relationship between MWC Group's effort (i.e., actual cost incurred) and the transfer of service to the customer.

Revenue recognized at a point in time

- *Distributors' fee*
Distributors' fee is recognized as revenue at a point in time when control of the trade assets have been transferred to the distributor, generally upon delivery of the related assets.
- *Revenue from packaged water*
Revenue from packaged water and other water related products is recognized at the point in time when control of the goods is transferred to the distributor, generally upon receipt of the related product.
- *Other operating income*
Other customer related fees such as reconnection and disconnection fees, income from customers late payments, income from septic sludge disposal, and income from bacteriological water analysis are recognized at a point in time when the control over these good or services have been transferred to the customer.

Foreign Currency Transactions

As approved by the MWSS Board of Trustees (BOT) under Amendment No. 1 of the Concession Agreement with MWSS, the following will be recovered through billings to customers:

- a. Restatement of foreign currency-denominated loans;
- b. Excess of actual concession fee payment over the amounts of concession fees translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise. The current base exchange rate is ₱53.16:US\$1.00 based on the latest rate rebasing exercise effective January 1, 2018;
- c. Excess of actual interest payment translated at exchange spot rate on settlement date over the amount of interest translated at drawdown rate; and
- d. Excess of actual payment of other financing charges relating to foreign currency-denominated loans translated at exchange spot rate on settlement date over the amount of other financing charges translated at drawdown rate.

In view of the automatic reimbursement mechanism, the MWC Group recognizes deferred FCDA (included as part of "Other noncurrent assets" or "Other noncurrent liabilities" in the consolidated statement of financial position) for both the realized and unrealized foreign exchange gains and losses. Other water revenue-FCDA is credited (debited) upon recovery (refund) of realized foreign exchange losses (gains). The write-off or reversal of the deferred FCDA pertaining to concession fees will be made upon determination of the rebased foreign exchange rate, which is assumed in the business plan approved by MWSS-Regulatory Office (RO) during the latest Rate Rebasing exercise, unless indication of impairment of the deferred FCDA would be evident at an earlier date.

Assets Held in Trust

Assets which are owned by MWSS, PGL, TIEZA, CDC, OWD, CWD, PAGWAD, TnWD, BuWD, LWD and CCWD, but are operated by the MWC Group under the concession agreements are not reflected in the consolidated statement of financial position but are considered as Assets Held in Trust (see Note 24).



4. Significant Accounting Judgments, Assumptions and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments

In the process of applying the Group'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 consolidated financial statements:

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the identification of a contract, determination of the performance obligation and amount as well as timing of revenue from contracts with customers.

ALI Group

Existence of a contract

ALI Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of ALI Group before revenue recognition is to assess the probability that ALI Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

ALI Group concluded that revenue for real estate sales is to be recognized over time because: (a) ALI Group's performance does not create an asset with an alternative use and; (b) ALI Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on ALI Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, ALI Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to ALI Group. ALI Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

In determining the actual costs incurred to be recognized as cost of sales, the ALI Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractors.



ALI Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts ALI Group's performance in transferring control of real estate development to the customers. As discussed in Note 3, Changes in Accounting Policies, the ALI Group adopted the provision of PFRS 15 that covered the treatment of land in the determination of the POC as discussed in PIC Q&S 2018-12-E.

Sale of real estate receivables

ALI Group has entered into arrangements with banks wherein it discounted its real estate receivables without recourse. ALI Group believes that the sales transactions are not more than infrequent and that the receivables discounted is insignificant in value both individually and in aggregate. Accordingly, ALI Group continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Assessment on whether lease concessions granted constitute a lease modification

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, ALI Group 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.

ALI Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, ALI Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. ALI Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by ALI Group for the year ended December 31, 2021 and 2020 amounted to ₱7.15 billion and ₱6.15 billion, respectively.

IMI Group

Identifying contracts with customers

Generally, a valid and approved manufacturing service agreement (MSA), scheduling agreement (SA), customer accepted quote, customer forecast, and/or customer purchase order or firm delivery schedule will be in place before IMI Group provides services or manufacture goods for the customers. IMI Group is not obligated to transfer any goods or provide services until the customer submits a purchase order or firm delivery schedule under the MSA or SA, respectively. The purchase order or firm delivery schedule creates the enforceable rights and obligations and is therefore evaluated together with the MSA or SA for revenue recognition in accordance with PFRS 15.

Determining the timing of revenue recognition

IMI Group assessed that revenue from manufacturing of goods shall be recognized over time or point in time. For turnkey contracts wherein the products created have no alternative use to IMI Group and IMI Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than IMI Group's failure to perform as promised, revenue is recognized over time. For goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time. For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as IMI Group performs.

Determining the method to measure of progress for revenue recognized over time

IMI Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because IMI Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.



Definition of default and credit-impaired financial assets

ALI Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criterion - for residential, commercial and office development receivables, the customer received a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikelihood to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by ALI Group, for economic or contractual reasons relating to the customer's financial difficulty (e.g. Bayanihan Acts I and II considerations)
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by ALI Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout ALI Group's expected loss calculation.

Incorporation of forward-looking information

ALI Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, ALI Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on ALI Group's evaluation and assessment and after taking into consideration external actual and forecast information, ALI Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by ALI Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, ALI Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

ALI Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors.

The Group's cash and cash equivalents and short-term investments are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.



Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Distinction of land between real estate inventories and investment properties

ALI Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, ALI Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and even if the real estate inventories are leased out, the classification remains on the condition that the intent to sell remains. All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Investment in Subsidiaries

The Group determined that it has control over its subsidiaries (see Note 2) by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights

ALI Group considers that it controls certain entities even though it owns 50% or less than majority of the voting rights. Control is achieved when exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee.

Investment in Associates

The Group determined that it exercises significant influence over its associates (see Note 10) by considering, among others, its ownership interest, board representation and participation on board sub-committees, and other contractual terms.

Investment in Joint Ventures

The Group's investments in joint ventures (see Note 10) are structured in separate incorporated entities. Even though the Group holds various percentage of ownership interest on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

Non-controlling interests

The Group considers a subsidiary as a subsidiary with material NCI, an associate and a joint venture with material interest if its net assets exceed 5% of the total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the investee compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

Product Development Costs

This includes capitalized costs arising from the development phase of certain projects which are still undergoing qualification.

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The recoverable amounts of these product development costs and related property, plant and equipment have been determined using cash flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects. The pretax discount rates applied to cash flow projections range from 13.79% to 16.67%.



Significant delay in the mass production of one project resulted to impairment of the related capitalized development cost. The comparison of the recoverable amounts and the carrying amounts of the product development costs and related property, plant and equipment resulted to no additional impairment loss in 2021 and 2020. Research expenditure recognized as expense amounted to \$7.7 million (₱391.1 million), \$4.94 million (₱237.2 million), and \$0.85 million (₱44.0 million) in 2021, 2020 and 2019, respectively.

Service concession arrangement

In applying Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Parent Company has made a judgment that its service concession agreements qualify under the Intangible Asset model.

The accounting policy on the Parent Company's SCA under the Intangible Asset is discussed in Note 3.

The Parent Company also recognizes its contractual obligations to restore its service concession asset to a specified level of serviceability. The Company recognizes a provision following PAS 37.

Property acquisitions and business combinations

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Accounting for business combination

Where asset is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, corporate acquisitions are accounted for as business combinations. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The acquisitions of the Group were accounted for as business combinations (see Note 23).

Foreign-currency transactions

ACEIC Group treats specific intragroup loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment in foreign operation, and the exchange differences are recognized in OCI and forms part of the Cumulative Transaction Adjustments equity account. Management exercises significant judgment in assessing whether the intragroup loan balances are not intended to be settled in the foreseeable future and whether subsequent circumstances have triggered the change in management's intention on the planned settlement of the loan.



The net exchange differences recognized in OCI and accumulated under Cumulative Translation Adjustments for the years ended December 31, 2021 and 2020 are as follows (amounts in millions):

	2021	2020
	<i>In millions</i>	
Balance as at January 1	₱804	₱–
Foreign exchange gains (losses) during the year	(1,281)	804
Balance as at December 31	(₱477)	₱804

Contingencies

The Group is currently involved in various legal proceedings in the ordinary conduct of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsel handling the defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations (see Note 36).

Recognition of deferred tax liabilities on taxable temporary differences arising from investments in foreign subsidiaries, associates and joint ventures

The Group did not recognize deferred tax liabilities on the taxable temporary differences arising from undistributed earnings, cumulative translation adjustment and OCI accounts of its foreign subsidiaries, associates and joint ventures since management believes that the timing of the reversal of these taxable temporary differences can be controlled by the Group and management does not expect reversal of these taxable temporary differences in the foreseeable future.

Judgements effective January 1, 2019

Determination of lease term of contracts with renewal and termination options - Group as a lessee

ALI Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

ALI Group has several lease contracts that include extension and termination options. ALI Group applies judgment in evaluating whether the provisions to renew or terminate the lease is enforceable. For leases where ALI Group has the unilateral option to renew or terminate, it then applies judgment on whether it is reasonably certain or not to exercise the option. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, ALI Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements

Upon adoption of the Interpretation, ALI Group has assessed whether it has any uncertain tax position. ALI Group applies significant judgement in identifying uncertainties over its income tax treatments. ALI Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

IMI Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable profits. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the



actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience on previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the entities within the Group.

GNPK

Classification of assets (liabilities) held for sale and exercise of control

In 2019, ACEIC Group classified the assets and liabilities of KPHLC, which includes GNPK being its subsidiary, to "Assets under PFRS 5" and "Liabilities under PFRS 5", respectively (see Note 24) as a result of its assessment that the asset's carrying amount will be recovered principally through a sale transaction rather than through continuing use. The following criteria were met prior to the first tranche sale last September 30, 2021:

- a. The investment in KPHLC is available for immediate sale as evidenced by the term sheet signed on July 1, 2019 (the "Divestment Term Sheet") which was amended and restated on December 28, 2020. While the transaction is subject to certain conditions precedent, the requirements under PFRS 5 are deemed to have been satisfied in so far as the investment to be sold is concerned.
- b. The sale is highly probable to be completed within 12 months from end of period date.

Events or circumstances may extend the period to complete the sale beyond one year. As of December 31, 2020, ACEIC Group assessed that extension of the period required to complete the sale beyond the 12-month period does not preclude the assets and liabilities from being classified as held for sale since ACEIC Group remained committed to its plan to sell its stake in GNPK and has, in fact, already obtained the necessary lenders' consent to be able to implement a full divestment from GNPK.

On September 30, 2021, the ACEIC Group completed the first tranche sale of its 38.6% (45% of the 85.7%) indirect interest in GNPK, through the sale of the limited partnership interest in KPHLC in favor of PPLC (see Note 24). ACEIC reclassified the retained 47.1% (55% of 85.7%) interest in GNPK as 'Asset held for sale' based on the fair value of the investment. The retained interest is available for immediate sale in its present condition and is not subject to any further condition precedent. All conditions precedent (including lender's consent) and completion of restructuring to consummate the sale were completed as of December 31, 2021 (see Note 23).

ACEN

As of December 31, 2021, the power barge assets of ACEN were also classified as held for sale under PFRS 5, as result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use (see Note 24).

The following criteria are met as of the financial reporting date:

- a. The power barges are available for immediate sale as evidenced by signed purchase agreement on August 20, 2021. While the transaction is still subject to certain conditions precedent, the requirements under PFRS 5 are deemed to have been satisfied in so far as the assets to be sold are concerned.
- b. The power barges are measured at the lower or the carrying amount and fair value less costs to sell.
- c. Depreciation of the assets ceased upon its classification as held for sale
- d. The sale is highly probable to be completed within 12 months from end of period date.



ACEIC Group's Receivables

ACEIC Group's receivables include its affiliated subordinated indebtedness (ASI) loan to its affiliate, GNPK, and the receivables from PPLC arising from the first tranche divestment of KPHLC which will be collected on a deferred basis. Management assessed that these receivables qualified as debt instruments. These are held by ACEIC Group within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset gives rise on specified dates to cash flows which are reflective of basic lending arrangements.

Management's Use of Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Purchase Price Allocation and Goodwill

The Group made several acquisitions in 2021 and 2020 (see Note 23) accounted for using the acquisition method, including initial recognition of retained interest of investment in associates, which require extensive use of accounting estimates and judgments to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize gain on bargain purchase or goodwill. The Group's acquisitions have resulted in gain on bargain purchase and goodwill. See Note 23 for related balances.

The Group determined the fair value of the net assets of the investee companies for the finalization of the purchase price allocation.

In 2021, the Group performed notional purchase price allocation which required significant management estimation in identifying the fair value of the underlying assets and liabilities of MWC (see Note 24).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred; the Group re-assesses whether it has correctly identified all the assets acquired, and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.



Revenue recognition on real estate projects

ALI Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. ALI Group's revenue from real estate is recognized based on the percentage of completion and are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers). Prior to 2021, ALI Group includes land in the calculation of POC since they availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. In 2021, ALI Group did not avail of the relief provided by the SEC and adopted the provision on the treatment of land in the determination of POC. See Notes 21 and 22 for the related balances.

Following the pattern of real estate revenue recognition, the cost to obtain contract (e.g. commission), is determined using the percentage of completion. In view of continuing community quarantine and restricted mobility, the progress of ALI Group's performance obligation is adversely affected which resulted to lower percentage-of-completion in 2021 and 2020.

Fair value of the financial liabilities on put option

The acquisition of VIA in 2016 and STI in 2017 included call and put options over the non-controlling interests. These options are considered when determining whether the entity has obtained control over the acquiree if in substance the entity already has access to the returns associated with that ownership interest. IMI management assessed that the options do not give IMI Group present access to the returns associated with the non-controlling interests in subsidiary and, therefore, accounted for the non-controlling interests under PFRS 10, while the financial liability was accounted for under PAS 39 measured at the present value of the redemption amount, with a debit to a component of equity attributable to owners of the parent.

IMI management assessed that the discounted, probability-weighted cash flow methodology is the appropriate model to derive the present value of the redemption amount. The key estimates and assumptions used in the valuation include the current equity value of the acquiree, forecasted interest rate and probability of trigger events occurring. The current equity value of VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. For STI, IMI management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronic services solutions to derive its current equity value. IMI management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization.

Further details on the valuation of the put options are disclosed in Note 33.

Fair value of contingent consideration liability

The cost of acquisition of STI also includes contingent consideration that will depend on the actual normalized EBITDA performance less adjustments in 2018 and 2019. IMI management assessed that the probability-weighted average of payouts associated with each possible outcome is the appropriate model to derive the fair value as part of the consideration transferred. Valuing normalized EBITDA requires management to make an estimate of the expected future cash flows of STI and an appropriate discount rate in order to calculate the fair value of the contingent consideration as of acquisition date.

Further details on the valuation of the contingent consideration liability are disclosed in Note 32.



Provision for expected credit losses of trade receivables and contract assets

ALI Group uses a provision matrix to calculate ECLs for trade receivables other than the residential, commercial and office development receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on ALI Group's historical observed default rates. ALI Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation rate and Gross Domestic Product (GDP) growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

ALI Group uses vintage analysis approach to calculate ECLs for residential, commercial and office development receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. ALI Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

ALI Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The information about the ECLs on ALI Group's trade receivables is disclosed in Note 7.

Other trade receivables and contract assets

For the other trade receivables and contract assets, the Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For ACEIC Group, qualitative criterion is in place such as forbearance offered to customers in financial difficulty, as ACEIC Group complies with the Department of Energy circulars on granting extensions on deferment of payments and obligation. The changes in economic activity brought about by the community quarantine measures and lowering of WESM prices have resulted in lower electricity demand and consumption. Consequently, this affected the revenue targets of the Distribution Companies, Generation Companies, and Retail Energy Sales (RES) business units. However, projects under FIT were not affected by the movements in the WESM prices. Nevertheless, ACEIC Group has been in constant discussions, and has been working together with its customers



and other key stakeholders to minimize the impact of the pandemic to the respective parties' power supply agreements.

In response to COVID-19, the ACEIC Group undertook a review of its portfolio of financial assets and the ECL for the year for financial assets carried at amortized cost. The review considered the macroeconomic outlook, client and customer/borrower credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

IMI Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from the sales of IMI Group during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Although lifetime expected credit losses are determined collectively, trade receivables and contract assets are also assessed individually based on default or delinquencies and possibility of financial difficulties or possibility of bankruptcy of the customers.

Further details are provided in Note 32.

Evaluation of net realizable value of inventories

Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' and land and improvements' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. For real estate inventories, the Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories and land and improvements, management considers whether those inventories are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell.

In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

In line with the impact of COVID-19, ALI Group experienced limited selling activities that resulted to lower sales in 2021 and 2020 while IMI Group experienced lower demand and production which resulted to lower sales in 2020.

Further details on inventories are provided in Note 8.

Evaluation of impairment of nonfinancial assets

The Group reviews investments in associates and joint ventures, investment properties, property, plant and equipment, right-of-use assets, service concession assets, goodwill and intangible assets for impairment of value. Impairment for goodwill and intangible assets with indefinite life are assessed at least annually. 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.



In view of the continuing community quarantines and restricted travel, the ALI Group's hotels and resorts segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported for this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment. In addition, because of the COVID-19 pandemic, there is the heightened level of uncertainty on the future economic outlook and market forecast. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and right-of-use assets.

Moreover, lockdown to IMI Group manufacturing sites due to the impact of COVID-19 pandemic leads to lower production post impairment indicators requiring the assessment of the recoverable amount for the said assets.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. For investments in associates and joint ventures, fair value less costs to sell pertain to quoted prices (listed equities) and to fair values determined using discounted cash flows or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in associates and joint ventures, investment properties, plant, property, and equipment, right-of-use assets, service concession assets and intangible assets.

For goodwill, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

Impairment loss recognized by the Parent Company in its investment in IPO amounted to ₱1,300.5 million and ₱846.6 million in 2021 and 2020, respectively.

Recoverable amounts of investments in associates and joint ventures that have recognized impairment losses have been recognized in 2021 and 2020 were based on its value in use with discount rates ranging from 9.00% to 15.00% and long-term growth rates ranging from 0.98% to 5.48%.

Further details on investments in associates and joint ventures, investment properties, property, plant and equipment, service concession assets and intangible assets are provided in Notes 10, 11, 12, 13 and 14, respectively.

Determining the fair value of investment properties

The Group discloses the fair values of its investment properties. The Group engaged independent valuation specialists to assess fair value as at December 31, 2021 and 2020. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Further details on investment properties assets are provided in Note 11.

Deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets 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. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected financial performance in assessing the sufficiency of future taxable income.



Further details on deferred tax assets are provided in Note 25.

Share-based payments

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company and certain subsidiaries.

Further details on the share-based payments recognized by the Group are provided in Note 28.

Defined benefit plans (pension benefits)

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 27.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Further details about the fair value of financial instruments are provided in Note 33.

Fair value measurement of receivables and retained interests

In the determination of fair value of receivable from PPLC and the retained interest in KPHLC, management determined the appropriate techniques and inputs for fair value measurements. Management estimates the amount and timing of the future cash inflows based on the distributable proceeds that will be received by PPLC from GNPk and GN Power Dingin Ltd. Co. (GNPD) which is based on the priority payment waterfall provisions of the divestment agreement. A discount rate is applied to the cash flow projections to establish the net present value of the receivables and retained interests.

Likewise, in the determination of the effective interest rate of the ASI loan, management estimates the amount and timing of the future cash inflows based on the distributable proceeds of GNPk.

Estimates effective January 1, 2019

Leases- Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable



rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Refer to Note 31 for the balance of the lease liabilities.

The following are the significant accounting judgments, assumptions and estimates specifically for MWC which was already deconsolidated as of December 31, 2021.

MWC Group

Water infrastructure services revenue recognized using the input and output method

MWC Group recognizes revenue from rehabilitation works, construction revenue, and service fees using the input method while it recognizes connection fees, supervision fees and revenue from pipeworks and integrated used water services using the output method. The input or output method of recognizing revenue over the period covered by the separate contracts with customers requires MWC Group to base the level of transfer of control over these services based on MWC Group's review and concurrence with work accomplishment reports prepared by project managers or submitted by independent project contractors.

Service concession arrangement

In applying Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Group has made a judgment that its concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD and BuWD; JVAs with PAGWAD, TnWD, LnWD, and CCWD; and SMA with CIWD qualify under the Intangible Asset model as it receives the right (license) to charge users of public service.

On the other hand, the MWC Group has made a judgment that the bulk water sale and purchase agreements with MWCD, TWD, and CIWD qualifies under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets for its construction services directly from MCWD, TWD, and CCWD.

Discontinued operations

MWC qualified as a group held for deemed disposal since the issuance of the primary shares to Trident Water by MWC and the assignment of portion of the preferred shares voting rights which is expected to be completed within one year from the reporting date will result in the Parent Company's loss of control over MWC (see Note 24).

The Group qualifies a disposal group as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business, or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

In 2020, the Parent Company continued to classify MWC as a disposal group held for sale since it remained committed to its plan to dispose its shares which will result to loss of control on MWC. The extension of the period required to complete the sale does not preclude the assets and the liabilities from being classified as held for sale (see Notes 3 and 24).

The Parent Company recognizes an impairment loss for any initial or subsequent write-down of the disposal group to fair value less costs to sell, to the extent that it has not been recognized. The Parent Company recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized. Refer to Note 24 for the details of remeasurement loss/reversal recognized.



In 2021, as a result of the completion of the tender offer and changes in the MWC's Board of Directors and Management, the Parent Company lost control over MWC (see Note 24) and classified the investment from Investment in a Subsidiary to an Investment in Associate (see Note 10).

Revenue and cost recognition - rehabilitation works

MWC Group measures revenue from rehabilitation works at the fair value of the consideration received or receivable. MWC Group's revenue from rehabilitation works are recognized over time, using input method. Under this method, progress is measured by reference to the actual costs incurred to date. Revenue from rehabilitation works recognized by MWC Group is equivalent to the costs of rehabilitation works incurred as these costs are recovered by MWC Group through its right to charge the customers. As of December 31, 2020 and 2019, MWC Group's revenue from and cost of rehabilitation works amounted to ₱10,976.2 million and ₱10,852.9 million, respectively.

Estimating the period over which control over services is transferred to the customer

For each group of similar customer contracts that result in revenues recognized over a period of the time, MWC Group makes an estimate of such period over which MWC Group transfers the control of the services provided to the customer. For revenue from rehabilitation works, construction revenue, service fees, supervision fees, and revenue from pipeworks and integrated used water services, MWC Group has determined that the period of revenue recognition is the term of the customer contract. For connection fees revenue, MWC Group has estimated that the customer receives control over the remaining concession period or remaining customer contract term.

As of December 31, 2020 and 2019, MWC Group's revenue from connection fees amounted to ₱149.7 million and ₱161.6 million, respectively.

Estimating billable water volume

The SCAs related to MWC Group's concession agreements are amortized using the UOP method based on actual billed volume and total estimated billable volume for the remaining period of the concession agreements. MWC Group considers factors such as population growth rate, supply and consumption, and service coverage, including ongoing and future expansions in estimating the total billable water volume over the remaining periods of the concession agreements.

In 2020, MWC Group also considered the impact on future billable volume considering the ongoing COVID-19 pandemic which has affected the billed volume mix and consumption.

For the years ended December 31, 2020, SCA amortization expense based on the UOP method amounted to ₱2,854.7 million, respectively (see Note 24).

Other trade receivables and contract assets

In compliance with the mandate of MWSS and in line with the Bayanihan to Heal as One Act, MWC suspended disconnection activities; extended payment terms for specific billing periods covered by the enhanced community quarantine (ECQ) or modified ECQ (MECQ) during the year; and provided installment payment schemes to customers, as necessary, without incurring interests, penalties and other charges. These factors were incorporated in MWC Group's determination of historical observed default rates.

Deferred FCDA

Under the concession agreements' entered into by the MWC Group with MWSS and TIEZA, MWC and Boracay Island Water Company (BIWC) are entitled to recover (refund) foreign exchange losses (gains) arising from concession loans and any concessionaire loans. MWC and BIWC recognized deferred FCDA (included as part of "Other noncurrent assets" or "Other noncurrent liabilities" in the consolidated statement of financial position) for both realized and unrealized foreign exchange gains and losses. Deferred FCDA is set up as an asset for the realized and unrealized exchange losses since this is a resource controlled by MWC and BIWC as a result of past events and from which future economic benefits are expected to flow to MWC and BIWC. Realized and unrealized foreign exchange gains, on the other hand, which will be refunded to the customers, are presented as liability. As of December 31, 2020, MWC and BIWC's deferred FCDA classified under "Other assets" amounted to ₱403.2 million (see Note 24).



The deferred FCDA of MWC and BIWC arises from a rate adjustment mechanism for the recovery or compensation on a current basis, subject to quarterly review and adjustment by MWSS or TIEZA, when necessary, of accrued foreign exchange gains and losses, arising from MWSS or TIEZA loans and concession loans used for capital expenditures and concession fee payments.

Further details on deferred FCDA of MWC and BIWC are provided in Note 24.

5. Cash and Cash Equivalents

This account consists of the following:

	2021	2020
	(In Thousands)	
Cash on hand and in banks (Note 32)	₱53,543,366	₱48,674,560
Cash equivalents (Note 32)	36,940,543	39,979,396
	₱90,483,909	₱88,653,956

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term rates.

Foreign currency-denominated cash and cash equivalents amounted to ₱43.0 billion and ₱52.0 billion as of December 31, 2021 and 2020, respectively (see Note 32).

Interest income earned from cash in banks and cash equivalents amounted to ₱294.9 million, ₱760.6 million, and ₱497.9 million in 2021, 2020, and 2019, respectively (see Note 22).

6. Short-term Investments

Short-term investments pertain to money market placements made for varying periods of more than three months but less than one year and earn interest ranging from 0.16% to 1.0 % per annum in 2021 and 0.1% to 0.8% per annum in 2020.

As of December 31, 2021 and 2020, the Group's short-term investments amounted to ₱930.9 million and ₱822.4 million, respectively. Interest income arising from these investments amounted to ₱375.7 million, ₱388.8 million, and ₱1,175.2 million in 2021, 2020, and 2019, respectively (see Note 22).

7. Accounts and Notes Receivable

This account consists of the following:

	2021	2020
	(In Thousands)	
Trade:		
Real estate and hotels	₱120,551,043	₱123,805,518
Industrial technologies	14,469,989	13,351,269
Power	6,924,081	6,318,019
Automotive	3,882,116	3,276,007
International and others	1,801,080	676,166
Outsourcing	380,304	332,240

(Forward)



	2021	2020
	(In Thousands)	
Receivable from related parties (Note 31)	₱41,384,176	₱20,113,339
Advances to other companies	27,147,893	26,559,594
Receivable from officers and employees (Note 31)	1,265,883	1,434,231
Dividend receivable (Note 31)	11,899	-
Others (Note 31)	14,473,362	1,787,494
	232,291,826	197,653,877
Less allowance for expected credit losses	3,915,215	3,177,458
	228,376,611	194,476,419
Less noncurrent portion	83,301,217	57,382,232
	₱145,075,394	₱137,094,187

The classes of trade receivables of the Group are follows:

Real estate and hotels

Real estate receivables consist of:

- Residential, commercial and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments.
- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Shopping centers - pertain to lease receivables from retail spaces
- Construction contracts - pertain to receivables from third party construction projects
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Residential, commercial and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 5.8% to 16.0%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Receivables from hotel operations and other support services are normally due within 30 to 90 days upon billing.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.



In 2020, ALI Group provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables including extension of payment terms. Based on ALI Group's assessment, the modifications in the contractual cash flows as a result of the reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

ALI Group sold residential receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, totaling ₱21,884.5 million in 2021 and ₱20,458.0 million in 2020. These were sold at a discount with total proceeds of ₱19,794.7 million and ₱18,431.9 million, respectively. ALI Group recognized loss on sale amounting to ₱2,089.8 million in 2021 and ₱2,064.0 million in 2020 (see Note 22).

Interest income from real estate amounted to ₱6,801.0 million, ₱8,602.8 million, ₱7,891.0 million in 2021, 2020 and 2019, respectively.

Industrial Technologies

Pertain to receivables arising from manufacturing and other related services for electronic products and components and have credit terms averaging 70 days from invoice date.

Power

Power generation receivables pertain to ACEIC Group's receivable from Independent Electricity Market Operator of the Philippines, National Grid Corporation of the Philippines (NGCP), National Transmission Corporation (TransCo) for the FIT and from the Group's bilateral customers. Significant portion of outstanding balance pertains to receivables from MERALCO Baseload, Mid-Merit PSAs and FIT system adjustments. It consists of both noninterest-bearing and interest-bearing receivables. The term is generally 30-to-60 days.

Noncurrent trade receivables which consist of refundable amount from Philippine Electric Market Corporation (PEMC), and FIT system adjustments that are expected to be realized beyond 12 months after end of reporting period.

Automotive

Automotive receivables relate to sale of passenger cars, motorcycles and commercial vehicles and are collectible within 30 to 90 days from date of sale.

Outsourcing

Outsourcing receivables arise from venture capital for technology businesses; provision of value-added content for wireless services, online business-to-business and business-to-consumer services; electronic commerce; technology infrastructure sales and technology services; and onshore- and offshore-outsourcing services and are normally collected within 30- to 60- days from invoice date.

International and others

International and other receivables arose from investments in overseas property companies and projects, charter services, agri-business and others and are generally on 30- to 60- day terms.

The nature of the Group's other receivables follows:

Advances to other companies

ALI

Advances to other companies includes ALI's advances to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur. The advances are liquidated when proceeds from the sale of the related projects are applied.



Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by North Triangle Depot Commercial Corporation (NTDCC) to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. As of December 31, 2021 and 2020, receivables including interest from MRTDC shareholders amounted to ₱467.9 million and ₱441.1 million, respectively.

On December 17, 2014, NTDCC and MRTDC shareholders executed a “funding and repayment agreement” wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from ALI Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

AC Industrial

In 2019, AC Industrial extended a loan to Roadworthy Cars, Inc. (RCI) amounting to ₱1,605.0 million which bears interest at the rate of 16% per annum and which accrue from, and shall be paid by RCI, beginning on the second anniversary of the commencement of business of KPMC. For the succeeding years until the repayment date, interest on the principal amount of the loan shall accrue with respect to the outstanding amount of the loan at the rate of 8% per annum and is payable for a period of 10 years. As of December 31, 2021 and 2020, loans receivable from RCI amounted to ₱1,968.7 million and ₱1,827.7 million, respectively.

ACEIC

In 2019, ACEIC and UPC Renewables Asia Pacific Holdings Limited (URAPHL) entered into an interest-bearing loan agreement to fund the development of renewable energy and energy storage projects. The interest-bearing loan has a total facility of US\$33.00 million and bears annual fixed rate interest and payable upon maturity. The principal and interest of the loan are payable on January 31, 2023.

As of December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$29.3 million (₱1,489.6 million) and US\$30.5 million (₱1,462.7 million), respectively. Interest income amounted to US\$2.4 million (₱119.0 million) and US\$2.5 million (₱120.9 million) for the years ended December 31, 2021 and 2020, respectively.

Receivables from Philippine Electricity Market Corporation (PEMC) Multilateral Agreements arises from recalculation of November and December 2013 spot prices as directed by the Energy Regulation Commission. In 2014, ACEIC, PEMC, and other WESM participants signed a Multilateral Agreement pending the resolution of cases filed by WESM participants in the Supreme Court. On various dates in 2014 to 2016, ACEN recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.5 million.

In 2020, ACEIC, BIM Energy Holdings Corporation (BIMEH) and BEHS Joint Stock Company (BEHS) entered into an extended short-term loan facility for the purpose of implementing the business plans of these companies. The short-term loan has a total facility of \$21.00 million and \$9.00 million for BIMEH and BEHS, respectively. The loans bear fixed rate, drawable in tranches and maturing within 11 months from the first drawdown date on June 8, 2020. In July 2021, the short-term loan facility has matured.



As of December 31, 2020, outstanding receivable from BIMEH and BEHS are US\$19.60 million (₱941.51 million) and US\$8.40 million (₱403.51 million), respectively. Interest income amounted to US\$2.3 million (₱113.5 million) and US\$1.7 million (₱82.4 million) for the years ended December 31, 2021 and 2020, respectively.

Receivables from NGCP are non-interest-bearing receivables from NGCP arising from (1) the sale of transmission assets, which are collectible annually within 3 years, discounted using the PHP BVAL reference rates on transaction date ranging from 2.14% - 4.56%; and (2) SLTEC's receivable from NGCP for the remaining uncollected consideration for the sale of the 230KV Salong Switching Station and related assets.

Receivable from related parties

The receivables from related parties and selected third parties discussed above bear interest ranging from 2.65% to 12.50% annually. Interests are payable upon maturity of the interest-bearing loan.

On December 22, 2020, ACEIC signed the Affiliated Subordinated Indebtedness (ASI) agreement with GN Power Kauswagan Ltd. Co. (GNPK) for US\$200.0 (₱9,607.2 million). The ASI loan is subject to interest rate compounding semi-annually ranging from 5.00% to 12.50% which shall accrue starting January 1, 2021. The maturity date of the loan is the later of the (1) the final maturity date of the GNPK Senior Loans (due 2031); and (2) the full payment on, and redemption of full interest of a partner in GNPK and in GNPK's Parent Company, KPHLC under the limited partnership agreements. GNPK's payment of the interest on the ASI loan and the principal shall follow the repayment waterfall stipulation in the ASI loan agreement. Any unpaid interest shall accrue interest. (see Note 31)

Interest income from ASI loan amounted to ₱124.5 million for the quarter ended December 31, 2021.

Receivables from officers and employees

Receivable from officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction, are interest bearing (6.0% per annum) and have various maturity dates.

The Group entered into agreements with BPI Group in 2021 and 2020 for the assignment of interest-bearing employee receivables amounting to ₱55.8 million and ₱16.1 million, respectively. The transactions were without recourse and did not result to any gain or loss.

Others

Other receivables include accrued interest receivable from cash and cash equivalents and short-term investment and other nontrade receivables from non-related entities which are non-interest bearing and are due and demandable. This also includes receivable from the DPWH pertaining to the additional costs incurred by the Parent Company in the construction of the Daang Hari-South Luzon Expressway (SLEX) Link Road arising from the government directive to revise the interconnection design of the road amounting to ₱215.9 million (see Note 13). Other receivable also includes the following:

On March 5, 2021, ACEIC, PPLC and certain of their affiliated companies, signed a Divestment Agreement for the transfer by ACEIC of its indirect ownership interest in GNPK in favor of PPLC and its affiliates. The transfer was implemented in tranches with the purchase price to be paid on a deferred basis. On September 30, 2021, after all conditions precedent have been met, ACEIC executed the divestment. The receivables from PPLC and affiliates arising from the first tranche sale amounted to ₱9,638.6 million. The receivable from PPLC is subject to interest rate compounding semi-annually ranging from 5.00% to 12.50%. The maturity date of the loan is December 31, 2031. The amount and timing of collection is based on the priority payment waterfall provisions of the divestment agreement. Any unpaid interest shall accrue interest.

Receivable from the sale of MWC preferred shares amounted to ₱3,805.9 million as of December 31, 2021 (see Note 24).



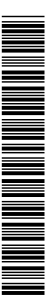
Movements in the allowance for expected credit losses are as follows (amounts in thousands):

	2021				
	Real Estate and Hotels	Industrial Technologies	Power	Outsourcing	Automotive and Others
At January 1	P1,945,460	P135,476	P543,585	P189,216	P363,721
Provisions during the year (Note 22)	494,572	28,656	20,994	5,912	227,156
Write-offs	-	-	-	(9,902)	(22,349)
Reversals/adjustments	-	9,355	-	-	(17,053)
Reclassification/others	(145,878)	(19,243)	(9,280)	(176,107)	350,924
At December 31	P2,294,154	P154,244	P555,299	P9,119	P902,399
					P3,915,215

*Disclosure of individually and collectively impaired receivables is not required under PFRS 9.

	2020				
	Real Estate and Hotels	Industrial Technologies	Power	Outsourcing	Automotive and Others
At January 1	P1,186,293	P120,151	P688,547	P188,778	P244,593
Provisions during the year (Note 22)	805,807	28,656	-	11,243	21,581
Write-offs	(2,116)	-	-	(791)	(3,051)
Reversals/adjustments	(53,166)	-	-	(10,014)	(5,384)
Reclassification/others	8,642	(13,331)	(144,962)	-	105,982
At December 31	P1,945,460	P135,476	P543,585	P189,216	P363,721
					P3,177,458

*Disclosure of individually and collectively impaired receivables is not required under PFRS 9.



8. Inventories

This account consists of the following:

	2021	2020
	(In Thousands)	
At cost:		
Residential and condominium units and offices	₱89,565,938	₱85,605,985
Residential and commercial lots	58,178,761	61,137,607
Materials and supplies	11,042,945	5,215,536
Vehicles	2,136,361	4,357,949
Work-in-process	1,080,421	883,588
Finished goods	1,165,296	450,941
Others	870,942	154,707
	164,040,664	157,806,313
At NRV:		
Materials and supplies	440,584	2,372,837
Finished goods	319,474	213,600
Work-in-process	1,606,115	479,191
	2,366,173	3,065,628
	₱166,406,837	₱160,871,941

A summary of the movements of real estate inventories is set out below.

2021

	Residential and Commercial Lots	Residential and Condominium units and Offices	Total
	(In Thousands)		
Opening balances at January 1	₱61,137,607	₱85,605,985	₱146,743,592
Land acquired during the year	306,263	4,470,893	4,777,156
Construction/development costs incurred	7,987,509	27,579,029	35,566,538
Disposals (recognized as cost of sales)	(14,903,447)	(23,980,517)	(38,883,964)
Transfers from/to investment properties and other assets (Note 11)	4,062,855	(4,109,452)	(46,597)
Reclassification/Others	(412,026)	-	(412,026)
Closing balances at December 31	₱58,178,761	₱89,565,938	₱147,744,699

2020

	Residential and Commercial Lots	Residential and Condominium units and Offices	Total
	(In Thousands)		
Opening balances at January 1	₱52,363,671	₱67,924,015	₱120,287,686
Land acquired during the year	3,269,732	17,744,257	21,013,989
Construction/development costs incurred	7,148,687	15,006,722	22,155,409
Disposals (recognized as cost of sales)	(15,932,741)	(16,983,486)	(32,916,227)
Transfers from/to investment properties and other assets (Note 11)	14,288,258	1,914,477	16,202,735
Closing balances at December 31	₱61,137,607	₱85,605,985	₱146,743,592

The Group recognized provision for inventory obsolescence amounting to ₱170.8 million, ₱144.3 million and ₱236.6 million in 2021, 2020 and 2019, respectively. The provision is included under "General and administrative expenses" in the consolidated statements of income (see Note 22).

The cost of the inventories carried at NRV amounted to ₱2,885.7 million and ₱3,065.6 million as of December 31, 2021 and 2020, respectively. Write-down of inventories amounted to ₱2.2 million in 2021, nil in 2020 and ₱111.2 million in 2019 (see Note 22).



Inventories recognized as cost of sales amounted to ₱102,621.7 million, ₱85,348.0 million and ₱129,030.0 million in 2021, 2020 and 2019, respectively, and were included under “Costs of sales” in the consolidated statements of income (see Note 22).

9. Other Current Assets

This account consists of the following:

	2021	2020
	(In Thousands)	
Advances to contractors and suppliers	₱24,463,833	₱19,150,239
Prepaid expenses	19,880,043	16,502,145
Input VAT	14,424,064	14,182,766
Creditable withholding tax	10,120,205	10,225,631
Financial assets at FVTPL	7,529,812	8,447,145
Contract assets	2,730,818	2,847,272
Deposits in escrow	900,272	770,990
Derivative assets (Notes 32 and 33)	442,242	250,230
Others	1,450,448	1,938,474
	₱81,941,737	₱74,314,892

Advances to contractors and suppliers

Advances to contractors and suppliers represents prepayments for the construction of inventories. These are recouped from billings which are expected to occur in a short period of time.

Prepaid expenses

Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. ALI's cost to obtain contracts which includes prepaid commissions and advances to brokers amounted to ₱2,866.4 million and ₱3,281.1 million in 2021 and 2020, respectively. In line with ALI Group's accounting policy, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract specific key performance indicators that could trigger variable consideration, or service credits (Note 15).

Input VAT

Input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Creditable Withholding Tax

The Group will be able to apply the creditable withholding taxes against income tax payable.

Financial Assets at FVTPL

Compulsory Convertible Debenture of Masaya Solar Energy Private Limited (“Masaya Solar”)

On November 16, 2021 and December 9, 2021, the ACEIC Group subscribed to 21.56 million and 32.80 million, respectively, of the Compulsorily Convertible Debentures (CCDs) of Masaya Solar. Masaya Solar is currently constructing the 420MWp solar farm in the Central Indian state of Madhya Pradesh. Total cost of subscription amounted to \$8.01 million (₱402.7 million).

The CCDs are unsecured and have a maturity date of 28 years from the date of allotment. Unless earlier converted, CCDs shall be converted into equity shares immediately after maturity date. Prior to maturity, Masaya Solar, has the option to convert the CCDs into equity shares in the ratio of 1:1.



Infigen Energy Ltd. (Infigen)

On various dates in April, May and July 2020, ACEIC acquired 194,130,203 shares in Infigen which represents 20.00% ownership interest. Infigen is an Australia-based renewable energy company that owns, develops and operates renewable energy generation assets. The shares of Infigen are listed and actively traded in the Australian Securities Exchange.

Total cost of the investment amounted to AU\$159.6 million (₱5,672.1 million), inclusive of AU\$5.6 million (₱197.54 million) directly attributable cost. On September 9, 2020, ACEIC sold its 20.00% ownership interest at AU\$0.92 per share resulting to realized mark-to-market gain of AU\$24.5 million (₱867.1 million) booked under "Other income" (see Note 22). The gain was subjected to corporate income tax of AU\$5.6 million (₱197.7 million).

TRG Investments

Financial assets at FVTPL includes the Group's investment in the common and preferred shares of The Rohatyn Group (TRG) Allocation LLC and TRG Management LP (collectively TRG investments), the management companies behind various TRG funds, amounted to US\$28.5 million (₱1,456.1 million) and US\$28.5 million (₱1,371.1 million) in 2021 and 2020, respectively.

Unit Investment Trust Fund (UITF) investments

ALI Group's investment in UITF includes investment in BPI. As of December 31, 2021, ALI Group invested in UITF with a fair value of ₱179 million for BPI Money Market Fund, ₱9.6 million for BPI USD Short Term Funds. The Funds' Net Asset Value (NAV) was at ₱61,969.7 million with duration of 241 days, ₱45,783.84 million with duration of 267 days, respectively.

As of December 31, 2020, ALI Group invested in BPI Money Market Fund (MMF) with a fair value of ₱209 million. The BPI MMF's Net Asset Value (NAV) was at ₱61,961.9 million with duration of 255 days and ₱41,101.9 million with duration of 307 days, respectively.

As of December 31, 2021 and 2020, the carrying value of ALI Group's UITF investments amounted to ₱407.0 million and ₱378.1 million, respectively.

ARCH Funds

As of December 31, 2021 and 2020, the carrying amount of the BHL Group's investment in ARCH Capital Asian Partners, L.P. (ARCH Fund I), a private equity fund, amounted to US\$0.1 million (₱5.1 million) and US\$ 0.1 million (₱4.8 million), respectively.

On various dates in 2020, ARCH Capital-TRG Asian Partners, L.P. (ARCH Fund II), ARCH Capital's second real estate fund, made capital calls where BHL Group's share amounted to US\$0.072 million (₱ 3.5 million). There were no capital calls in 2021. In 2021 and 2020, the ARCH Fund II returned capital amounting to US\$2.3 million (₱117.3 million) and US\$0.5 million (₱24.0 million), respectively. As of December 31, 2021 and 2020, the remaining carrying amount of ARCH Fund II, after distributions received over the years, amounted to US\$14.4 million (₱734.4 million) and US\$16.5 million (₱791.8 million), respectively.

On various dates in 2021 and 2020, the ARCH Capital-TRG Asian Partners III, L.P. (ARCH Fund III), ARCH Capital's third real estate fund, made capital calls where the Group's share amounted to US\$0.3 million (₱14.3 million) and US\$1.2 million (₱57.6 million), respectively. In 2021 and 2020, the ARCH Fund III returned capital amounting to US\$2.3 million (₱117.3 million) and US\$2.6 million (₱124.9 million), respectively. As of December 31, 2021 and 2020, the carrying amount of the investment in the ARCH Fund III amounted to US\$61.7 million (₱3,148.7 million) and US\$62 million (₱2,977.2 million), respectively.



Furthermore, as of December 31, 2021 and 2020, the Group's remaining capital commitment with ARCH Fund III amounted to US\$2.3 million (P117.3 million) and US\$2.6 million (P124.9 million), respectively.

On various dates in 2020, ARCH Capital Asian Partners IV, L.P. (ARCH Fund IV), ARCH Capital's fourth real estate fund, made capital calls where the Group's share amounted to US\$3.3 million (P158.5 million). In 2020, the ARCH Fund IV returned capital amounting to US\$0.5 million (P24.0 million). As of December 31, 2020, the carrying amount of the investment in the ARCH Fund IV amounted to US\$10.6 million (P509.0 million), respectively.

As of December 31, 2020, BHL's remaining capital commitment with the ARCH Fund IV amounted to and US\$5.1 million (P244.9 million). The remaining uncovered investment in ARCH Fund IV was disposed on October 20, 2021 for a total consideration of US\$11.6 million (P592.6 million).

ALI Group's investment in ARCH Capital Fund pertains to monetary interest in a fund in which the management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

As of December 31, 2021 and 2020, ALI Group's investment in ARCH Fund amounted to P293.8 million and P328.0 million, respectively. Return of capital in 2021 amounted to P108.9 million. In 2020, contributions and return of capital amounted to nil and P12.5 million, respectively.

Maloekoe Capital Partners (Maloekoe)

Maloekoe a venture capital fund which focuses on technology investments in Indonesia and Southeast Asia.

On November 16, 2020, Total Jade Group Ltd disposed and transferred the entire investment of 1,391,107 Class A shares for a total consideration of US\$1.4 million (P70.0 million).

Alibaba

Alibaba Group's New Retail Strategic Opportunities Fund is a fund which aims to invest in traditional brick-and-mortar retail companies based in China and integrate them with Alibaba's e-commerce platform, leveraging on Alibaba's consumer reach, data scale and technology.

As of December 31, 2021 and 2020, the carrying amount of the investment in the Alibaba amounted to US\$0.7 million (P39.3 million) and US\$0.9 million (P43.2 million), respectively. Remaining capital commitment to the Alibaba Fund amounted to US\$1.0 million (P51.0 million) and US\$1.1 million (P53.6 million) as of December 31, 2021 and 2020, respectively.

Arbor Funds I and II)

The Arbor Venture Fund I L.P. (Arbor Fund I) is a private equity fund which focuses on providing funding for new ventures in the financial technology and services space. Arbor Venture Fund GP II (Arbor Fund II) is a succeeding fund with the same focus as Arbor Fund on Asian financial technology firms.

As of December 31, 2020, the carrying amount of the investment in Arbor Fund II amounted to US\$1.4 million (P67.2 million). On July 6, 2021, the BHL Group disposed and transferred the entire investment in Arbor Fund I and Arbor Fund II for a total consideration of US\$1.5 million (P78.4 million).

Indies Pelago Investments, L.P. (Indies Pelago)

Indies Pelago targets relatively more mature, growth stage technology companies in Southeast Asia, giving investors access to technology sector leaders without the venture capital risk associates with earlier stage funding. As of December 31, 2021 and 2020, the carrying amount of the investment amounted to US\$2.6 million (P130.9 million) and US\$1.8 million (P72.0 million), respectively.



The BHL Group's remaining capital commitment to Indies Pelago amounted to US\$0.05 million (P3.2 million) and US\$0.3 million (P18.1 million) as of December 31, 2021 and 2020, respectively.

Ikhlas Capital Fund, L.P. (Ikhlas)

Ikhlas is a ASEAN-focused private equity fund.

The carrying amount of the investment in Ikhlas amounted to US\$6.8 million (P348.7 million) and US\$2.4 million (P115.3 million) as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, Total Jade's remaining capital commitment to Ikhlas amounted to US\$12.8 million (P652.8 million) and US\$17.1 million (P821.1 million), respectively.

Promissory Notes issued by CLOUSE S.A-Class C ordinary shares in Ant International Co. Limited (Ant Financial Notes)

The Group subscribed to US\$10.0 million of Ant Financial Notes issued by CLOUSE S.A., acting for the account of its Compartment 41 on May 24, 2018.

According to the Promissory Notes Subscription Letter, the Issuer shall use the net proceeds received from the issuance of the Promissory Notes to acquire a number of Class C ordinary shares in Ant International Co., Limited, which may be exchanged for shares to be listed by Ant Financial.

Ant International Co., Ltd is one of the entities under Ant Financial Group, which operates Alipay, the world's largest mobile and online payments platform. As of December 31, 2021 and 2020, the carrying amount of the investment amounted to USD\$9.4 million (P482.5 million) and USD\$15.0 million (P718.0 million), respectively.

TRG Global Opportunity Fund (GOF) and TRG Special Opportunity Fund (SOF)

The Group, Through AIVPL, invested in TRG GOF, a multi-strategy hedge fund which invests primarily in emerging markets securities, and the SOF which focuses on less liquid assets in emerging markets (Latin America, Asia, Emerging Europe, Middle East and Africa) such as distressed debt, NPLs, corporate high yield, mid and small cap stocks, real estate (debt and equity) and private equity.

The aggregate carrying amount of GOF and SOF amounted to US\$0.1 million (P8.7 million) and US\$0.3 million (P15.8 million) as of December 31, 2021 and 2020, respectively.

Sares-Regis Investments

The Group also invested in Sares-Regis Multifamily Value-add Fund II LP (SRG II) and Sares-Regis Multifamily Value-add Fund III LP (SRG III), real estate private equity funds managed by the Sares-Regis Group (SRG) based in California, USA, focused on multifamily property developments in the Western USA. The Group also co-invested with SRG II in Victoria Arbors, a multifamily property development in Rancho Cucamonga, California, USA (SRG Co-Investment), which was fully disposed on in 2021.

As of December 31, 2021 and 2020, the carrying amount of the remaining Sares-Regis Investments, after distributions received over time amounted to US\$5.7 million (P291.5 million) and US\$29.9 million (P1,435.9 million), respectively.

RETC, LLC

RETC, LLC is a photovoltaic and energy storage testing and certification company based in Fremont, California, USA. The Group owns 30% of RETC, LLC. As of December 31, 2021 and 2020, the carrying amount of the investment in RETC amounted to US\$4.7 million (P238.6 million) and US\$4.5 million (P216.1 million), respectively.



TPA Ventures Pte. Ltd. (Etaily)

In 2021, the BHL Group invested US\$1.0 million (₱52.2 million) for a 10% equity stake and a convertible placement in Etaily, an e-commerce enabler business that assists merchants in pursuing an omni-channel sales strategy. As of December 31, 2021, the carrying amount of the investment amounted to US\$1.0 million (₱52.2 million).

Wave Computing

The Group also invested US\$4.2 million (₱202.5 million) in Wave Computing, a start-up specializing in hardware for artificial intelligence and machine learning. In 2020, the investment was fully written-off.

Fibronostics

AC Health, through its technology arm, Vigos, expanded its digital portfolio with a recent investment in Fibronostics, a global US-based healthcare technology company focusing on non-invasive algorithm-based solutions for diagnostic testing. The agreement was signed on May 31, 2019 between AC Health and SPRIM, the bioscience R&D firm from which Fibronostics was spun off.

In 2021, this investment was fully impaired as this was sold for a minimal amount due to continuing losses.

As of December 31, 2021 and 2020, the carrying amount of the investment amounted to nil and ₱33.5 million, respectively.

Tikehau (TKS I, LP)

During 2018, AC Health invested in TKS I, LP, a Singapore limited partnership investing globally in healthcare and life sciences industries. As of December 31, 2021 and 2020, the carrying amount of the investment amounted to ₱8.2 million and ₱10.5 million, respectively.

These investments are accounted for at FVTPL. There is no change in management's intention to hold the investments for trading purpose. Net changes in fair value of financial assets at FVTPL amounted to ₱542.0 million, ₱887.7 million and ₱528.0 million gain in 2021, 2020 and 2019, respectively, is included under "Other income" in the consolidated statements of income (see Note 22).

Contract Assets

Contract assets are initially recognized for revenue earned from manufacturing of goods as receipt of consideration is conditional on successful completion of the services. When goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, the amounts recognized as contract assets are reclassified to trade receivables. Payments are received from customers depending on the credit terms.

As of December 31, 2021 and 2020, IMI Group's contract assets amounted to US\$50.1 million (₱2,552.8 million) and US\$54.5 million (₱2,618.3 million), respectively.

Contract assets amounting to ₱176.8 million and ₱198.6 million pertain to the unbilled delivery service revenue recognized by AC Infra Group as of December 31, 2021 and 2020, respectively. Upon issuance of the related service invoices, these shall be recognized as trade receivables.

Deposits in escrow

Deposits in escrow pertain to the proceeds from the sale of ALI Group that have been only granted with a temporary License To Sell (LTS) by the Housing and Land Use Regulatory Board (HLURB). For projects with temporary LTS, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account.



Others

Others mainly include deferred charges and accrued liquidated damages.

10. Investments in Associates and Joint Ventures

This account consists of the following:

	2021	2020
	(In Thousands)	
Investment in stocks – cost		
Balance at beginning of year	₱186,693,421	₱181,519,261
Additions	3,945,308	5,557,577
Retained interest in MWC	14,808,382	–
Disposals	(558,045)	(346,238)
Acquisition of control on previously held interest	(365,860)	–
Transfers/Others	2,847,407	(37,179)
Balance at end of year	207,370,613	186,693,421
Accumulated equity in net earnings:		
Balance at beginning of year	76,951,074	69,404,262
Equity in net earnings of continuing operations during the year	23,384,709	17,615,774
Dividend income	(9,928,201)	(10,057,692)
Acquisition of control on previously held interest	365,860	–
Disposals/transfers/others	(225,814)	1,575,465
Provision and others		
Provision (net) (Note 23)	(1,162,526)	(1,802,179)
Excess of share in fair value of net assets over the cost of investment (Notes 22 and 24)	4,067,109	–
Dilution gain	605,571	27,592
Reclassification of FVOCI gain/(loss) to retained earnings	112,441	187,852
Balance at end of year	94,170,223	76,951,074
Other Comprehensive Income:		
Balance at beginning of year	(8,636,542)	(4,192,247)
Additions (deductions)	1,271,166	(4,256,443)
Reclassification of FVOCI gain/(loss) to retained earnings	(112,441)	(187,852)
Balance at end of year	(7,477,817)	(8,636,542)
	₱294,063,019	₱255,007,953

Details of the Group's investments in associates and joint ventures and the related economic ownership percentages of ownership are shown below:

	Percentage of Economic Ownership		Carrying Amounts	
	2021	2020	2021	2020
	(In Millions)			
<i>Domestic:</i>				
Bank of the Philippine Islands (BPI)	32.9	32.9	₱115,960	₱111,682
Liontide Holdings, Inc. (LHI)*	78.1	78.1	54,313	51,531
Globe Telecom, Inc. (Globe)*	30.8	30.8	29,385	26,008
Manila Water Company, Inc. (MWC)	30.4	–	19,264	–
Ortigas Land Corporation (OLC) (<i>formerly OCLP Holdings, Inc.</i>)	21.0	21.0	9,017	8,677
AA Thermal, Inc.	40.0	40.0	7,633	5,906
Light Rail Manila Holdings, Inc. (LRMHI)	50.0	50.0	5,556	4,874
ALI-ETON Property Development Corporation*	50.0	50.0	5,084	4,499
Philippine Wind Holdings Corporation (PhilWind)*	45.1	57.0	4,749	4,837
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	3,871	3,886
iPeople, Inc. (IPO)	33.5	33.5	3,378	4,460
(Forward)				



	Percentage of Economic Ownership		Carrying Amounts	
	2021	2020	2021	2020
			(In Millions)	
AKL Properties, Inc.*	50.0	50.0	₱3,108	₱3,034
Berkshires Holdings, Inc. (BHI)*	50.0	50.0	1,915	1,921
Cebu District Property Enterprise, Inc. (CDPEI)*	35.0	35.0	1,630	1,426
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,544	1,468
Bonifacio Land Corporation (BLC)	10.0	10.0	1,401	1,406
IE Medica, Inc. (IEM)	49.0	49.0	1,278	1,233
Ingrid Power Holdings, Inc.	50.0	–	1,211	–
Alveo-Federal Land Communities, Inc.*	50.0	50.0	1,122	929
BF Jade E-Services Philippines, Inc. (BF Jade)	44.6	43.9	687	773
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	49.0	49.0	542	403
Foreign:				
Star Energy Salak-Darajat B.V. (incorporated in Indonesia)	19.8	19.8	10,652	9,330
Others – net	Various	Various	10,763	6,725
			₱294,063	₱255,008

*Joint ventures

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures is the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in associates and joint ventures are in proportion to their ownership interest.

Financial information on significant associates follows:

BPI	2021	2020
	(In Millions, except earnings per share)	
Total resources	₱2,421,915	₱2,233,443
Total liabilities	2,126,759	1,951,486
Equity	295,156	281,957
Less: non-controlling interest	2,096	2,122
Equity attributable to the equity holders of BPI	293,060	279,835
Share in equity	96,313	91,967
Notional goodwill	20,131	20,131
Others	(484)	(416)
Carrying value of investment	115,960	111,682
Net interest income and other income	97,405	101,923
Total expenses	73,295	80,271
Net income	24,110	21,652
Net income attributable to:		
Equity holders of BPI	23,880	21,409
Non-controlling interests	230	243
Group's share in net income for the year	7,848	7,125
Other comprehensive loss	(2,843)	(3,387)
Group's share in other comprehensive loss	(876)	(1,115)
Total comprehensive income	21,267	18,265
Total comprehensive income attributable to:		
Equity holders of BPI	21,109	17,949
Non-controlling interests	158	315
Group's share in total comprehensive income	6,859	6,010
Basic and diluted earnings per share	5.29	4.74
Dividends received from BPI	₱2,503	₱2,503



MWC	2021	2020*
	(In Millions)	
Current assets	P19,650	P27,738
Noncurrent assets	145,867	128,788
Current liabilities	19,936	16,527
Noncurrent liabilities	77,256	79,836
Equity	68,325	60,163
Less: non-controlling interest	1,376	1,312
Equity attributable the equity holders of the Parent	66,949	58,851
Share in equity	20,212	-
Fair value adjustments	(1,623)	-
Others	675	-
Carrying value of investment	19,264	-
Revenue	20,292	21,125
Interest income	308	503
Costs and expenses		
Depreciation and amortization	3,329	3,003
Other direct cost	5,612	4,963
Interest expense	2,473	2,260
Provision for income tax	1,539	1,749
Operating expenses	3,907	3,895
Net income	3,754	4,546
Net income attributable to:		
Equity holders of the Parent	3,673	4,501
Non-controlling interests	81	45
Share in net income for the year	716	2,337
Other comprehensive income (loss)	944	(382)
Share in other comprehensive income (loss) for the year	364	(196)
Total comprehensive income	4,698	4,163
Share in total comprehensive income for the year	1,812	2,140
Earnings per share:		
Basic and diluted	1.23	1.81
Dividends received from MWC	P460	P-

*In 2020, MWC was classified under PFRS 5

Salak Darajat	2021	2020
	(In Millions)	
Current assets	US\$360	US\$295
Noncurrent assets	2,502	2,473
Current liabilities	88	55
Noncurrent liabilities	1,725	1,742
Equity	1,049	971
Share in equity	208	192
Fair value adjustment on land	15	15
Others	(13)	(13)
Carrying value of investment	210	194
Revenue	350	338
Cost and expenses	235	266
Net income	115	72
Other comprehensive income	(6)	-
Group's share in net income for the year	22	16
Total comprehensive income	111	74
Group's share in total comprehensive income for the year	21	15
Dividends received from Salak Darajat	US\$7	US\$28



Financial information on significant joint ventures (amounts in millions, except earnings per share figures) follows:

LHI	2021	2020
	(In Millions)	
Current assets, including cash and cash equivalents amounting to ₱1,377.7 million in 2021 and ₱1,377.7 million in 2020	₱1,327	₱1,378
Noncurrent assets	58,526	55,925
Current liabilities	73	84
Noncurrent liabilities	6,985	7,981
Equity	52,795	49,238
Share in equity	41,218	38,442
Notional goodwill	12,988	12,988
Others	107	101
Carrying value of investment	54,313	51,531
Revenue	4,788	4,317
Interest income	4	21
Cost and expenses	456	516
Provision for income tax	(1)	(4)
Net income	4,331	3,793
Group's share in net income for the year	3,382	2,961
Total comprehensive income	4,331	3,793
Group's share in total comprehensive income	3,382	2,961
Dividends received from LHI	₱172	₱156
Globe	2021	2020
	(In Millions)	
Current assets, including cash and cash equivalents amounting to ₱24,239.2 million in 2021 and ₱19,508.1 million in 2020	₱67,847	₱64,098
Noncurrent assets	390,613	275,682
Current liabilities including financial liabilities* amounting to ₱16,018.5 million in 2021 and ₱8,521.4 million in 2020	117,527	80,275
Noncurrent liabilities, including financial liabilities* amounting to ₱194,035.1 million in 2021 and ₱156,270.7 million in 2020	226,537	176,700
Equity	114,396	82,805
Less: non-controlling interest	294	237
Equity attributable the equity holders of the Parent	114,102	82,568
Share in equity	25,674	22,158
Notional goodwill	3,939	3,939
Others	(228)	(89)
Carrying value of investment	29,385	26,008
Revenue	167,747	160,520
Interest income	150	195
Costs and expenses		
General, selling and administrative expenses	69,852	64,913
Depreciation and amortization	41,133	35,412
Interest expense	8,741	7,111
Provision for income tax	5,316	8,517
Others	24,822	27,622
Net income	23,724	18,623
Net income attributable to:		
Equity holders of the Parent	23,653	18,578
Non-controlling interests	71	45



Globe	2021	2020
	(In Millions)	
Share in net income for the year	₱7,255	₱5,587
Other comprehensive income (loss)	2,198	(2,545)
Share in other comprehensive income (loss) for the year	677	786
Total comprehensive income	25,922	16,078
Share in total comprehensive income for the year	7,984	4,968
Earnings per share:		
Basic	173.18	135.04
Diluted	172.25	134.40
Dividends received from Globe	₱4,445	₱4,445
<i>*excluding trade and other payables and provisions</i>		
ECHI		2020
	(In Millions)	
Current assets		₱11,741
Noncurrent assets		30,018
Current liabilities		(2,863)
Noncurrent liabilities		(7,286)
Equity		31,610
Less: noncontrolling interest		23,308
Equity attributable to Parent Company		8,302
Portion of Group's ownership		50%
Group's share in identifiable net assets		4,151
Carrying amount of the investment		3,886
Revenue		3,872
Cost and expenses		2,476
Net income		1,396
Group's share in net income		208
Total comprehensive income		417
Group's share in total comprehensive income for the year		208
Dividends received		₱398

In 2021, ECHI was assessed to be an immaterial joint venture.

In addition to the interest in associates and joint ventures discussed above, the Group also has interest in a number of individually immaterial associates and joint ventures. Below is a summary of certain financial information concerning these immaterial associates and joint ventures:

	2021	2020
	(In Millions)	
Carrying amount	₱64,489	₱50,177
Share in net income	3,143	1,496
Share in other comprehensive income	1,067	442
Share in total comprehensive income	₱4,210	₱1,938

The following significant transactions affected the Group's investments in associates and joint ventures:

Investment in BPI

On April 22, 2021, the shareholders approved the merger of BPI and BPI Family Savings Bank Inc. (BFSB), with BPI as surviving entity, subject to regulatory approvals. The merger was approved by the BPI Board on January 21, 2021.

On March 23, 2021, a Plan of Merger was executed between BPI and BFSB indicating the details of the merger.



The merger was cleared by the PDIC on June 30, 2021 and the Monetary Board in its resolution dated September 30, 2021 as reflected in the letter of the BSP dated October 4, 2021. On December 21, 2021, the SEC likewise signified its approval on the merger effective January 1, 2022.

The integration of both entities will provide considerable advantages to the customers and employees of BPI and BFSB, and present potential synergies that will benefit shareholders. The accelerated shift to digital, the focus on operational efficiency and the expected reduction in the gap in regulatory reserve requirements between commercial banks and thrift banks were factors in the timing of the transaction.

On June 8, 2021, BSP approved the amendment to Article Seventh of BPI's Articles of Incorporation. The increase in the authorized capital stock particularly the common stock from 4.9 billion to 5.0 billion and the corresponding amendment to the Articles of Incorporation was approved by the stockholders last April 22, 2021.

On January 24, 2020, BPI upsized its Bond Offer five-fold to ₱15.3 billion from an initial target size of ₱3 billion, due to strong demand from both retail and institutional investors. The Bonds has been issued, and is now tradable on the PDEX. The issuance is BPI's second peso bond transaction, following its landmark ₱25 billion bond issuance in 2018. The Bonds has an interest rate of 4.2423% p.a. payable quarterly, and a tenor of two (2) years. BPI Capital Corporation (BPI Capital) and Standard Chartered Bank, Philippine Branch (SCB), served as the joint lead arrangers of the bonds. BPI Capital was sole selling agent, while SCB was participating selling agent.

On March 27, 2020, BPI exceeded its initial target size of ₱5.0 billion for its latest Bond Offer by more than six-fold, reaching ₱33.9 billion due to strong demand from institutional investors as well as high-net worth and retail clients. The Bonds has been issued and tradable on the PDEX. The Bonds has an interest rate of 4.05% p.a payable quarterly, and a tenor of one and a half (1 1/2) years. BPI closed the offer period on March 6, 2020. Capital and ING Bank N.V., Manila Branch (ING), served as the joint lead arrangers of the bonds. BPI Capital was sole selling agent, while ING was participating selling agent.

On July 8, 2020, BPI concluded the offer period of its CARE Bonds with a tenor of 1.75 years and an interest rate of 3.05% p.a, paid quarterly.

Due to the COVID-19 situation, BPI has seen an increase in the level of non-performing loans (NPL) attributable to the temporary/permanent closure of certain businesses, suspended business operations and limited travel and exchange of goods. As a result, BPI booked ₱27,556 million in impairment provisions for NPL in 2020.

The actual delinquency status or effect on the NPL levels across different segments and products of BPI Group became evident in the last quarter of 2020 after the lapse of the Bayanihan Act I and may be more pronounced in the early quarters of 2021 considering the effect of Bayanihan Act II relief measures. As a result, BPI booked ₱26,118 million and ₱27,556 million in impairment provisions for NPL in 2021 and 2020, respectively.

The fair value of the BPI shares held by the Parent Company amounted to ₱136,678.4 million and ₱120,659.7 million as of December 31, 2021 and 2020, respectively. In 2021 and 2020, the voting rights held by the Group in BPI is 49.7%.

Investment in LHI

As of December 31, 2021, and 2020, LHI owns 904.2 million common shares of BPI representing a direct ownership interest in BPI of 20.0%. The Parent Company and GIC Special Investments (GICSI) Pte Ltd., the entity controlling Arran Investments Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.



The fair value of BPI shares held by LHI amounted to ₱83,321.5 million and ₱73,556.2 million as of December 31, 2021 and 2020, respectively. In 2021, the voting rights held by the Group in LHI is 84.2%.

Investment in Globe

On November 2, 2021, Globe Fintech Innovations, Inc. (Mynt), the company behind the GCash payment services app, has raised over \$300 million in funding, valuing Mynt at over \$2 billion. The investment round was led by global investment giant Warburg Pincus, New York-based global private equity and venture capital firm Insight Partners, and Bow Wave Capital, one of Mynt's existing investors. The round also includes participation from Itai Tsiddon and Amplo Ventures as well as capital from Globe and Ayala. Also, as a result of this new investment in Mynt, Globe and Ant's ownership were diluted to around 35% from 40%. Bow Wave and Ayala hold 14% and 5% respectively, while the new investors collectively hold around 11%.

The investment round resulted in dilution of Globe Group's ownership in Mynt from 40% to 36%. Accordingly, gain on deemed sale amounting to ₱4,344.0 million was recognized in profit or loss.

On January 17, 2020, Globe Telecom, Dito Telecommunity and Smart Communications incorporated a joint venture company, Telecommunications Connectivity, Inc. (TCI) in line with the new mobile number portability initiative of the government under RA 11202 also known as the "Mobile Number Portability Act" (the MNP Act).

TCI is expected to bring in the technical infrastructure to fulfill its primary function as a clearing house for the three mobile operators to ensure the smooth implementation of number porting services.

The Philippines' major Mobile Network Operators (MNO) namely Globe, Smart and DITO, are one with the government in the implementation of the MNP Act and through their joint venture company, Telecommunications Connectivity Inc. (TCI) has successfully concluded the initial tests of their technical capabilities and interoperability last July 14, 2021. The joint effort will soon allow customers the option to keep their mobile numbers permanently, even when they change network providers or switch subscriptions.

On January 20, 2020, Globe received the approval of the SEC on the incorporation of Telecommunications Connectivity Inc. The Globe Group invested ₱10.0 million for 33.33% ownership TCI.

On July 16, 2020, Globe successfully priced a USD 300 million 10-year and USD 300 million 15-year US dollar-denominated senior notes with coupon rate of 2.5% and 3.0%, respectively.

On July 24, 2020, the notes are unrated and have been listed on Singapore Exchange Securities Trading Limited. The net proceeds from the issue of the notes will be used to finance Globe's capital expenditures, refinance maturing and/or existing obligations, and for general corporate requirements. On August 17, 2020, GTI Business Holdings, Inc. (GTI) entered into a SPA for the acquisition of 67% of Third Pillar Business Applications, Inc. (TPBAI). TPBAI, organized under the laws of the Philippines, is engaged in systems integration, license reselling, and data management services. TPBAI previously owns 11% of Third Pillar Global Delivery Center Inc. (TPGDC). GTI's acquisition of TPBAI also mandated TPBAI's acquisition of the remaining 89% ownership of TPGDC making TPBAI the sole owner of TPGDC. TPGDC is engaged in software implementation and maintenance services and the outsourcing arm of TPBAI.

On July 30, 2020, GTI incorporated Caelum Pacific Corp. (Caelum Pacific), a wholly owned subsidiary, organized under the laws of the Philippines for the purpose of providing technical consulting and IT related services. On July 31, 2020, Caelum US Holdings Inc. (Caelum US), a wholly owned subsidiary of Caelum Pacific, was incorporated under the laws of the state of Delaware as holding company. On August 3, 2020, Caelum Northwest Corp. (Caelum Northwest), a wholly owned subsidiary of Caelum US, was incorporated under the laws of the state of Washington for the purpose of customized cloud software development and providing cloud consulting services.



Globe Group recognized higher amount of impairment loss on receivables in 2020 due to the increase in lower quality receivables brought about by the pandemic and quarantine. Impairment loss on receivables amounted to ₱5,067.1 million in 2020.

On July 22, 2019, Globe sold its interest in AFPI to Globe Fintech Innovations for a total consideration of ₱240 million.

On September 11, 2019, the BOD of Globe through its Executive Committee, approved the acquisition of 51% of Yondu Inc., equivalent to 22,950 shares for ₱501 million from Xurpas Inc. and the signing of the corresponding Deed of Sale of Shares and other related definitive agreements. The transaction is consistent with Globe's strategic imperative of developing its ICT capabilities responsive to the changing needs of its customers. Yondu's strong IT core competencies combined with Globe's digital expertise will strengthen the value proposition of products and services catered to enterprise clients.

On October 25, 2019, Globe acquired 77% equity interest in ECPay from Payment One, Inc. and The Andresons Group, Inc. Globe bought 49.3 million shares in the firm priced at ₱31.3 per share. The transaction will enable small business owners to offer more products and services which in turn will stimulate the e-commerce industry and the digital economy, bringing Globe closer to its vision of a digitally-enabled Philippines.

The fair value of Globe shares held by the Parent Company amounted to ₱136,724.5 million and ₱83,549.3 million as of December 31, 2021 and 2020. In 2021 and 2020, the voting rights held by the Group in Globe is 46.6%.

The Parent Company also holds 60% ownership interest in Asiacom, which owns 158.5 million Globe preferred shares and 460.0 million Parent Company preferred shares as of December 31, 2021 and 2020. The Parent Company does not exercise control over Asiacom and Globe since it is a joint venture with Singapore Telecommunications Limited (SingTel).

Investment in MWC

As a result of Trident Water's acquisition of MWC shares and changes in the MWC's Board of Directors and Management, the Parent Company lost control over MWC and classified the investment from Investment in a Subsidiary to an Investment in Associate (see Note 24).

The fair value of the MWC shares held by the Group amounted to ₱21,458.2 million and ₱13,854.6 million as of December 31, 2021 and 2020, respectively. The voting rights held by the Group in MWC is 31.6% as of December 31, 2021.

Investment in OLC

OLC owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses. In 2016, ALI acquired a 21.0% stake in OLC consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships. The acquisition was made possible via the purchase of shares from existing OLC shareholders for ₱7,320.7 million.

Investment in AA Thermal

During the first half of 2019, ACEIC completed the sale of a 49% voting interest and 60% economic interest in AA Thermal, Inc. (AA Thermal) to Aboitiz Power Corporation (Aboitiz Power) which amounted to US\$574.2 million after applying the agreed adjustments pursuant to the Share Purchase Agreement (SPA). The transaction resulted in a net gain on sale of US\$448.96 million (₱23.6 billion) included under "Other Income" (see Note 22). The proceeds of the sale were fully collected on May 17, 2019 (US\$572.9 million) and September 5, 2019 (US\$1.3 million for the price adjustment). The remaining interest on AA Thermal is recorded under "Investments in associates and joint ventures".



In 2021 and 2020, ACEIC Group invested additional US\$2.3 million (₱119.3 million) and US\$7.3 million (₱373.5 million), respectively, in AA Thermal following the capital calls made.

ALI-ETON Property Development Corporation (ALI-ETON)

ALI-ETON Property Development Corporation is a joint venture between ALI and LT Group, Inc. and is organized primarily to develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

ALI made additional equity infusions to ALI-Eton to fund the development requirements of Parklinks amounting to ₱527.0 million and ₱1,083.5 million in 2021 and 2020, respectively.

Investment in PhilWind

On February 27, 2020, ACEIC Group purchased all shares of Philippine Investment Alliance for Infrastructure (PINAI) Investors in PhilWind through its wholly owned subsidiary Giga Ace 1, Inc. amounting to ₱2,573.30 million, increasing its ownership interest by 27.07%.

The investment in PhilWind is accounted for as investments in joint venture as the relevant activities in PhilWind and NLR require the unanimous consent of the stockholders.

On June 22, 2020, upon the effectivity of ACEIC's share swap transaction with ACEN, ACEIC's effective ownership interest in PhilWind became 56.98%.

ACEIC Group's investment amounted to ₱2,573.30 million. As of June 22, 2020, the fair values of identifiable assets and liabilities acquired amounted to ₱9,103.9 million and ₱2,305.5 million, respectively. ACEIC Group's share in net assets of PhilWind is ₱2,265.50 million and corresponding notional goodwill on this investment amounted to ₱307.80 million which formed part of the carrying amount of the investment as of December 31, 2020. The goodwill recognized on the acquisition can be attributed to future earnings from ACEIC's investments in renewable energy plants.

In 2014, the DOE issued a Certificate of Endorsement for FIT for the wind power project after it was commissioned and started commercial operations (see Note 37).

On April 13, 2015, the wind power project received their Feed-in-Tariff Certificate of Compliance (FIT COC) from the ERC. This entitled the wind power project to a feed-in-tariff (FIT) of ₱8.53 per kilowatt hour for a period of 20 years from November 11, 2014 to November 10, 2034.

Investment in ECHI, BHI and BLC

As of December 31, 2021 and 2020, ALI Group's effective interest in BLC is 45.1%. ALI's 5.3% direct investment in BLC and 4.8% through Regent Time are accounted for using the equity method because the Parent Company has significant influence over BLC.

Investment in AKL

AKL Properties, Inc. is a 50:50 joint venture between Ayala Land, Inc. and Royal Asia Land, Inc., and is organized primarily for future mixed-use development in South Luzon area.

Investment in IPO

On May 2, 2019, the merger of AEI and IPO, with IPO as surviving entity, became effective pursuant to the terms of the Plan of Merger. House of Investments, Inc. and its affiliates, and the Parent Company, control 51.3% and 33.5%, respectively, of listed IPO.

The gain on the merger transaction amounted to ₱0.8 billion and was recorded in "Other income" in the Group's consolidated statements of income (see Note 22).

Investment in Light Rail Manila Holdings, Inc. (LRMHI)

LRMHI holds 70% of the total equity of Light Rail Manila Corporation (LRMC), the project company established for the construction, operation and maintenance of the LRT 1 Cavite extension project.



As of December 31, 2021, and 2020, AC Infra's remaining equity investment commitment for the LRT 1 project amounted to ₱1.5 billion and ₱2.4 billion, respectively.

Investment in Cebu District Property Enterprise, Inc.

Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between ALI and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 10% CHI and 5% CPVDC.

Investment in IEM

In 2019, AC Health through its wholly-owned subsidiary AHCHI Pharma Ventures, Inc. acquired 490,000 ordinary shares in IE Medica Inc. representing 49% of equity interest. The acquisition cost of the investment amounted to ₱931 million which includes a contingent consideration amounting to ₱250.2 million and a call option amounting to ₱15.7 million. This resulted in AHCHI Pharma Ventures obtaining significant influence over IE Medica. The investment in associate account includes a notional goodwill amounting to ₱719.1 million arising from the acquisition. Share in net identifiable assets on the date of acquisition amounted to ₱211.9 million.

The call options for both acquisitions was accounted for as a "Derivative asset" in the consolidated financial statements.

Based on the SPA signed in 2019, APV will be liable for an earn-out in the event the net income after tax (NIAT) of I.E. Medica Inc., for the years 2020 and 2021 as reflected in the audited financial statements of the company meet the target NIAT. This shall be paid on May 30, 2022.

On July 16, 2021, APV and the Sellers agreed to revise the terms of the earn-out liability wherein a catch-up for the 2020 NIAT shortfall can be achieved in 2022. APV recognized a remeasurement gain of ₱196.2 million (see Note 22).

In 2021 and 2020, the earn out liability recognized amounted to ₱267.6 million and ₱79.4 million, respectively.

Investment in Ingrid

ACEN and ACE Endeavor signed a Shareholders' Agreement with APHPC, for the development, construction and operation of the 150-megawatt (MW) diesel power plant project in Pililla, Rizal (the Ingrid Project).

Under the Agreement, Axia Power Holdings Philippines Corporation (APHPC) will acquire 50% of the shares and 50% of the economic rights in ACEN's subsidiary, Ingrid Power Holdings, Inc. (Ingrid), the special purpose vehicle of the Ingrid Project, while APHPC will hold 50% shares and 45% of the economic rights, with ACE Endeavor having a 5% share of the economic rights in Ingrid.

On November 24, 2020, PCC issued Decision No. 20-M-017/2020 finding that the transaction "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the proposed transaction among Axia, ACEN, ACE Endeavor and Ingrid.

Ingrid and ACE Endeavor were among the AC Energy's subsidiaries acquired by ACEN in exchange for ACEN shares. As of December 31, 2020, ACEN has infused ₱649 million into Ingrid to fund the Ingrid Project.

On March 18, 2021, Ingrid and APHPC executed a Subscription Agreement for the subscription by APHPC to 5 Common B Shares, 580,000 Redeemable Preferred F Shares, and 5.2 million Redeemable Preferred G Shares of Ingrid. As of December 31, 2021, APHPC has infused ₱1,970.0 million to Ingrid.



On October 12, 2021, Ingrid and Axia executed the second Subscription Agreement for the subscription by Axia to an additional 0.11 million Redeemable Preferred F Shares with a par value of ₱100 per share and 1.03 million Redeemable Preferred G Shares with a par value of ₱100 per share to be issued out of the unissued ACS of Ingrid, to maintain the 50% interest in the shares and in the economic rights as provided in the 2020 Agreement.

Ingrid is among the ACEN's wholly owned subsidiaries which were acquired from ACEIC in exchange for ACEN's own shares in 2020. In 2021, Ingrid started commercial operation of 150MW high-speed, diesel-fueled power plant project following the issuance of the Notice to Proceed (NTP) in December 2019.

Investment in Alveo-Federal Land Communities, Inc. (AFLCI)

Alveo signed a Joint Venture Agreement (JVA) with Federal Land, Inc. last April 29, 2015 for equal ownership over AFLCI. The JV is for the development of Project Lexus located in Laguna near Nuvali.

Investment in BF Jade (Zalora)

On April 8, 2020, AC Ventures infused additional capital of ₱214.8 million at the same valuation as the last infusion. AMSI, Inc., BPI Capital and Kickstart waived their right to infuse additional capital. As a result, AC Ventures assumed their portion of the capital infusion, increasing the ownership stake from 43.9% to 44.6%, subject to regulatory approval for an increase in the authorized capital stock of BF Jade. Following AC Ventures' infusion, the Group's combined ownership remained at 49.0%. In 2021, the SEC approved the increase in authorized capital stock of BF Jade, and the shares pertaining to the infusion were issued to AC Ventures.

Investment in Rize-Ayalaland

Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. ALI's effective ownership is 49% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments Inc.

Investment in Star Energy Salak-Darajat B.V. (Salak-Darajat)

On March 31, 2017, ACEIC, as part of an Indonesian consortium, completed the purchase and acquisition of Chevron's geothermal assets and operations in Indonesia. The Indonesia assets and operations include the Darajat and Salak geothermal fields in West Java, Indonesia, with a combined capacity of 637MW of steam and power.

Others

Investment in Yoma Strategic Holdings Ltd. (YSH)

On November 8, 2019, the Parent Company signed definitive agreements to acquire a 20% stake in YSH and another 20% stake in FMI (see Note 9). The total consideration for the investment is US\$237.5 million. YSH is a holding company listed in the Singapore Exchange with interests in real estate, financial services, food and beverage, automotive and heavy equipment, among others, in Myanmar. On the other hand, FMI is a holding company listed in the Yangon Stock Exchange with interests in real estate, banking, and healthcare, among others, in Myanmar. Both YSH and FMI are part of the Yoma Group of Companies.

The investment in YSH, which total US\$155 million, was implemented in two-tranches – US\$108.6 million for 14.9% of the outstanding shares and US\$46.4 million for 5.1% of the outstanding shares of the company.

VIP Infrastructure Holdings Pte Ltd, a subsidiary of BHL and YSH have closed the first tranche of the placement shares, with the Parent Company having been allotted shares equivalent to 14.9% of the outstanding shares of YSH and having paid the price, therefore. The Singapore Exchange has approved the listing of the shares allotted to the Parent Company.



On November 27, 2020, VIP invested in a US\$46.4 million loan as its second tranche investment into YSH. The term of the loan is five (5) years with an option to extend to either seven (7) or ten (10) years, with coupon interest of 5.243% resettable after each 6-month period to coupon rate equal to the sum of 6-month LIBOR plus 5%. In 2021, both parties agreed to restructure this loan and was reclassified to investment and joint ventures (Note 31).

Investment in UPC - AC Energy Australia HK Ltd.

On May 23, 2018, ACEIC participated in the Australian renewables market through a joint venture with international renewable energy developer, UPC Renewables Australia. ACEIC has invested US\$30.0 million (₱1,519.1 million) for 50% ownership in UPC's Australian business and is also providing US\$200.0 million facility to fund project equity.

UPC Renewables Australia is developing the 1,000 MW Robbins Island and Jims Plain projects in North West Tasmania and the 600 MW New England Solar Farm (NESF) located near Uralla in New South Wales. UPC Renewables Australia also has a further development portfolio of another 3,000 MW's located in NSW, Tasmania and Victoria

ACEIC Group's share in net liabilities of UPC Australia (HK) Ltd. is US\$1.45 million and corresponding notional goodwill on this investment amounted to US\$31.45 million (₱1,592.5) million which formed part of the carrying amount of the investment as of December 31, 2019. The goodwill recognized on the acquisition can be attributed to the cost of pre-development of different renewable energy projects and the right to participate in wind and solar energy projects in Australia through the joint venture company.

On October 18, 2021, ACEN's BOD approved to acquire the remaining 51.6% stake in UPC-AC Renewables Australia joint venture. This transaction will raise ACEN's ownership in the renewables development platform to 100%.

On December 15, 2021, the stockholders of ACEN approved the issuance of up to 942.0 million Common Shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and an individual ("the Seller") and the listing of the shares to be issued.

Investment in AFPI

AFPI was incorporated on February 10, 2014 and is engaged in the design, construction, installation and operation and maintenance of a contactless automated fare collection system for public utility transport facilities.

As of December 31, 2021, and 2020, AC Infra's remaining equity investment commitment for the project amounted to ₱29.6 million and ₱59.6 million, respectively.

Investment in Isla Bio

On March 20, 2018, ACEIC through Presage and Zabaleta & Co. Inc. entered into a share purchase agreement for the acquisition of 21,484 common shares in Negros Island Biomass Holdings (Isla Bio) which represents 42.97% interest in Isla Bio. Isla Bio is the entity that holds interests in the 3 biomass plants in Negros - San Carlos BioPower, South Negros BioPower and North Negros BioPower. In 2019, the purchase price allocation for the above acquisition was finalized.

In 2020, ACEIC Group assessed that its investment in Isla Bio was impaired. The Group expects the return on its investment in Isla Bio through dividends. Given however that the projects where Isla Bio has investments have not started commercial operations, are still completing pertinent regulatory permitting requirements, and in the process are accumulating pre-operating costs and losses, ACEIC Group has provided allowance for impairment losses amounting to ₱195.6 million (see Note 22).



Investment in Globe Fintech Innovations, Inc. (Mynt)

On November 2021, Mynt issued new shares in exchange for additional capital infusion from the Parent Company (through AC Ventures), GCVHI, Bow Wave, and new investors led by private equity firms Warburg Pincus and Insight Partners. Mynt raised over US\$306 million in fresh capital from this fundraising exercise and attained a post-money valuation at close to US\$2 billion. The Parent Company (through AC Ventures) did not fully exercise its pre-emptive rights in this equity issuance, therefore diluting its ownership in Mynt to 5.2% as of December 31, 2021. As a result, the Parent Company booked a ₱563.4 million dilution gain on its Mynt investment for the year 2021.

On various dates in 2020, Mynt issued new shares in exchange for additional capital infusion from GCVHI, Ant Financial, and new investor ASP Philippines LP, a limited partnership fund managed by investment firm Bow Wave Capital Management (Bow Wave), a close-ended private equity fund with a mandate to invest globally in online and mobile payment ecosystem companies.

Mynt raised over US\$175 million in fresh capital from Bow Wave and its existing shareholders in multiple tranches, with post-money valuation of the final tranches at close to US\$1 billion. Bow Wave's investment in Mynt, its first in the Philippines, will translate to a minority equity interest in the Mynt.

The Parent Company (through AC Ventures) did not participate in these capital calls, leading to a dilution of the Parent Company's ownership in Mynt to 5.9% as of December 31, 2020. The Parent Company booked a ₱397.4 million dilution gain on its Mynt investment for the year 2020.

Bow Wave's capital infusion resulted in dilution of Globe Group's ownership in Mynt from 46% to 40%. Accordingly, gain on deemed sale amounting to ₱2,042.4 million was recognized by Globe from this transaction.

As of December 31, 2021, and 2020, the Group has no contingent liabilities in relation to its investments in associates and joint ventures.

On certain investments in associates and joint ventures, the Group entered into shareholders' agreements with fellow shareholders.

Investment in UPC AC Energy Solar Ltd.

In July 2020, ACEN, through its joint venture UPC-AC Energy Solar, issued notice-to-proceed for a 140 MWdc solar plant ("Sitara Solar project") in Rajasthan, a desert state with the highest irradiation in India. The project utilizes Risen Energy monocrystalline panels.

In 2021, the 70 MWdc Paryapt Solar project located in the State of Gujarat, India and the 140 MWdc Sitara Solar project in Rajasthan started commercial operations. The development of these 210 MWp maiden solar farms in India involved an investment of around US\$100 million.

Investments in BIMRE and BIME

On October 4, 2021, the 88 MW Ninh Thuan wind farm started commercial operations. Located in South Central Vietnam, the US\$155 million wind farm features 22 units of GE Renewable Energy's Cypress turbines.

Investment in NEFIN Holding Limited (NEFIN)

On August 4, 2021, ACEN, through ACRI, has obtained board approval to enter into a joint venture with NEFIN, a leading solar photovoltaic developer and investor in carbon neutrality solutions.

ACRI's investment into the joint venture vehicle will be via a primary infusion of an initial US\$10.0 million of fresh funds which will be used to construct near-term projects over the coming years. ACRI will also commit to further expand its funding for the development and construction of the rest of the joint venture's carbon neutrality pipeline.



Investment in Greencore

The PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the "Project") started construction in 2021. Under the Shareholders' Agreement, CSEC will have 50% of the shares in Greencore, the special purpose vehicle of the Project, while ACEN and ACE Endeavor will hold a 45% and 5% interest, respectively. ACEN has agreed to provide a term loan facility to Greencore of up to ₱2,675.0 million to finance the power plant (see Note 31). Greencore and its shareholders agreed to execute the necessary loan and security agreement for this purpose.

The investment in Greencore is accounted for as an investment in joint venture as the relevant activities of Greencore require the unanimous consent of the stockholders.

11. Investment Properties

The movements in investment properties follow:

2021

	Land	Building	Construction-in-Progress	Total
	(In Thousands)			
Cost				
Balance at beginning of year	₱71,907,812	₱130,068,264	₱65,932,425	₱267,908,501
Additions	4,127,839	8,902,292	11,332,096	24,362,227
Exchange differences	(11,993)	39,299	—	27,306
Disposals	(262,952)	(308,572)	—	(571,524)
Transfers (Note 8 and 12)	29,315	15,893	—	45,208
Others	—	(673,216)	—	(673,216)
Balance at end of year	75,790,021	138,043,960	77,264,521	291,098,502
Accumulated depreciation and amortization				
Balance at beginning of year	—	41,096,885	—	41,096,885
Depreciation and amortization (Note 22)	—	3,701,389	—	3,701,389
Disposals	—	(860,573)	—	(860,573)
Exchange differences	—	55	—	55
Balance at end of year	—	43,937,756	—	43,937,756
Accumulated impairment losses				
Balance at beginning	129,441	225,208	—	354,649
Balance at end of year	129,441	225,208	—	354,649
Net book value	₱75,660,580	₱93,880,996	₱77,264,521	₱246,806,097

2020

	Land	Building	Construction-in-Progress	Total
	(In Thousands)			
Cost				
Balance at beginning of year	₱89,170,261	₱129,096,246	₱64,546,542	₱282,813,049
Additions	1,523,773	2,025,977	2,327,959	5,877,709
Exchange differences	(150,753)	(33,667)	—	(184,420)
Disposals	(562,284)	(1,865,197)	(157,541)	(2,585,022)
Transfers (Notes 8 and 12)	(18,073,185)	844,905	(784,535)	(18,012,815)
Balance at end of year	71,907,812	130,068,264	65,932,425	267,908,501
Accumulated depreciation and amortization				
Balance at beginning of year	—	35,951,270	—	35,951,270
Depreciation and amortization (Note 22)	—	5,610,176	—	5,610,176
Disposals	—	(332,815)	—	(332,815)
Exchange differences	—	(960)	—	(960)
Transfers (Notes 8 and 12)	—	(130,786)	—	(130,786)
Balance at end of year	—	41,096,885	—	41,096,885
Accumulated impairment losses				
Balance at beginning	129,441	—	—	129,441
Impairment losses (Note 22)	—	225,208	—	225,208
Balance at end of year	129,441	225,208	—	354,649
Net book value	₱71,778,371	₱88,746,171	₱65,932,425	₱226,456,967



Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its own use and benefit.

Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion. The development and construction period normally range from three years to five years and depends heavily on the size of the assets.

The aggregate fair value of the Group's investment properties - land and building - amounted to ₱485,331.9 million and ₱458,146.2 million as of December 31, 2021 and 2020, respectively. The fair values of the investment properties were determined by independent professionally qualified appraisers.

2021

		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Date of Valuation	Total	(In Thousands)		
Land properties	Various	₱287,151,049	₱—	₱287,151,049
Retail properties	Various	90,873,025	—	90,873,025
Office properties	Various	106,293,498	—	106,293,498
Hospital properties	Various	1,014,323	—	1,014,323

2020

		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Date of Valuation	Total	(In Thousands)		
Land properties	Various	₱266,211,236	₱—	₱266,211,236
Retail properties	Various	84,187,480	—	84,187,480
Office properties	Various	106,441,044	—	106,441,044
Hospital properties	Various	1,306,435	—	1,306,435

The fair values of the land were arrived at using the Market Data Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per sqm., the higher the fair value.

The fair values of the buildings (retail, office, hospital) were arrived using the Income Approach. 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.

The fair values of the construction-in-progress were carried at cost. The Group expects the fair value of investment property to be reliably measured when constructions are completed.

The significant unobservable inputs to valuation of investment properties ranges from ₱1,500 to ₱278,000 per sqm. in 2021 and 2020, respectively.

In 2021, the ALI Group started capitalizing borrowing costs to its investment properties under construction. Interest capitalized amounted to ₱574.1 million. For the years 2020, 2019 and 2018, total capitalized interest aggregated to ₱1,993 million (included in additions). The capitalization rates are 3.84% - 4.17%.



Consolidated rental income from investment properties amounted to ₱18,598.4 million, ₱18,468.9 million and ₱31,687.1 million in 2021, 2020 and 2019, respectively. (see Note 21)
Consolidated direct operating expenses arising from the investment properties amounted to ₱7,663.1 million, ₱7,467.0 million and ₱6,822.3 million in 2021, 2020 and 2019, respectively.

Depreciation and amortization expense pertaining to investment properties amounted to ₱3,701.4 million, ₱5,610.2 million and ₱4,404.5 million in 2021, 2020 and 2019, respectively (see Note 22).

Except as stated otherwise, the Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct and develop investment properties or for repairs, maintenance, and enhancements.

Certain short-term and long-term debt are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the investment property amounted to ₱2,907.2 million and ₱2,288.3 million as of December 31, 2021 and 2020, respectively.

12. Property, Plant and Equipment

The movements in property, plant and equipment follow:

	2021						Total
	Land, Buildings and Improvements (Note 18)	Plant, Machinery and Equipment	Hotel Property and Equipment (Note 18)	Furniture, Fixtures and Equipment	Transportation Equipment	Construction-in-Progress	
	(In Thousands)						
Cost							
At January 1	₱38,830,072	₱41,816,199	₱19,569,717	₱20,295,250	₱5,353,218	₱7,275,599	₱133,140,055
Additions	4,031,153	1,429,883	285,022	493,717	399,250	4,219,679	10,858,704
Additions through business combination (Note 23)	1,088,505	398,743	—	617,815	2,073	54,742	2,161,878
Disposals	(384,875)	(1,816,223)	—	(326,848)	(208,053)	(494,960)	(3,230,959)
Transfers (Note 11)	147,793	420,647	—	13,968	(31,202)	(628,001)	(76,795)
Exchange differences	250,785	591,029	—	83,144	1,699	6,935	933,592
Reclassification/Others	2,068,468	(530,357)	—	(320,269)	(416)	(1,394,750)	(177,324)
At December 31	46,031,901	42,309,921	19,854,739	20,856,777	5,516,569	9,039,244	143,609,151
Accumulated depreciation and amortization and impairment loss							
At January 1	10,066,922	15,963,525	3,406,154	6,585,969	2,482,885	96,620	38,602,075
Depreciation and amortization for the year (Note 22)	3,600,925	3,774,244	592,235	559,305	378,184	—	8,904,893
Impairment loss/reversal (Note 22)	—	179,778	—	36,473	—	162,640	378,891
Disposals	(270,443)	(1,002,029)	—	(103,284)	(293,669)	—	(1,669,425)
Exchange differences	185,309	468,481	—	58,704	(2,712)	—	709,782
At December 31	13,582,713	19,383,999	3,998,389	7,137,167	2,564,688	259,260	46,926,216
Net book value	₱32,449,188	₱22,925,922	₱15,856,350	₱13,719,610	₱2,951,881	₱8,779,984	₱96,682,935

	2020						Total
	Land, Buildings and Improvements (Note 18)	Plant, Machinery and Equipment	Hotel Property and Equipment (Note 19)	Furniture, Fixtures and Equipment	Transportation Equipment	Construction-in-Progress	
	(In Thousands)						
Cost							
At January 1	₱35,911,906	₱46,209,533	₱18,686,025	₱12,847,266	₱5,367,559	₱1,885,665	₱120,907,954
Additions	1,762,611	1,751,151	883,692	1,160,724	236,935	5,218,531	11,013,644
Additions through business combination (Note 23)	668,172	1,303,102	—	214,592	896	—	2,186,762
Disposals	(362,637)	(1,021,491)	—	(460,353)	(290,594)	(15,283)	(2,150,358)
Transfers (Note 11)	1,382,874	(6,215,990)	—	6,970,064	(14,392)	(384,957)	1,737,599
Exchange differences	(47,723)	(267,355)	—	(56,349)	(974)	6,366	(366,035)
Others	(485,131)	57,249	—	(380,694)	53,788	565,277	(189,511)
At December 31	38,830,072	41,816,199	19,569,717	20,295,250	5,353,218	7,275,599	133,140,055

(Forward)



	2020						
	Land, Buildings and Improvements (Note 18)	Plant, Machinery and Equipment	Hotel Property and Equipment (Note 19)	Furniture, Fixtures and Equipment	Transportation Equipment	Construction- in-Progress	Total
	(In Thousands)						
Accumulated depreciation and amortization and impairment loss							
At January 1	8,218,897	12,461,668	2,840,234	6,536,626	2,068,774	—	32,126,199
Depreciation and amortization for the year (Note 22)	1,864,485	3,873,620	565,920	1,011,222	569,848	—	7,885,095
Impairment loss/reversal (Note 22)	—	513,306	—	13,958	—	96,620	623,884
Disposals	(146,932)	(763,417)	—	(364,551)	(168,996)	—	(1,443,896)
Transfers (Note 11)	25,704	79,769	—	(105,518)	45	—	—
Exchange differences	(7,460)	(295,987)	—	(57,919)	(5,845)	—	(367,211)
Others	112,228	94,566	—	(447,849)	19,059	—	(221,996)
At December 31	10,066,922	15,963,525	3,406,154	6,585,969	2,482,885	96,620	38,602,075
Net book value	₱28,763,150	₱25,852,674	₱16,163,563	₱13,709,281	₱2,870,333	₱7,178,979	₱94,537,980

In 2021 and 2020, the ACEIC Group acquired assets with a total cost of ₱5,834.8 million and ₱6,452.4 million, respectively, excluding property, plant and equipment acquired through a business combination. The net book value of assets acquired through the business combination with SACASOL and ISLASOL amounted to ₱618.94 million and ₱1,500.9 million, respectively (see Note 23).

On September 20, 2020, Bataan Solar Energy, Inc. (BSEI) issued the Notice to Proceed (NTP) for the development of a 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project (the Project) in Brgy. Batangas-II Mariveles, Bataan. Given however the lack of economies of scale for the project, the management assessed that the expected revenue cannot cover return of the investment in the project and thereby provided impairment for the project's various spending to date for its construction in progress and tools and miscellaneous assets under property, plant and equipment and advances to contractors amounting to ₱97.6 million, ₱14.9 million and ₱49.9 million, respectively.

In 2021, provision for impairment include ₱77.9 million for ACEN PB 101 and 102, ₱219.5 million for BSEI's construction-in-progress, and ₱4.02 million other various construction-in-progress. Reversals during the year include ₱75.1 million for ACEN PB 102 and 103 and ₱14.9 million for BSEI's tools and miscellaneous assets which were subsequently reclassified to assets held for sale (see Note 24).

In 2020, ACEN recognized full provision for impairment of its Power Barges (PB) 102 and 103 totaling to ₱270.5 million and other provisions amounting to ₱111.1 million for BSEI's construction-in-progress and tools and miscellaneous assets.

Due to declining demand bought by the global automotive downturn, IMI Group recognized impairment losses on certain machineries amounting to US\$2.6 million in 2020.

ALI Group performed impairment testing on its hotel property and equipment by assessing its recoverable amount through estimation of its value in use VIU. VIU is the present value of the future cash flows expected to be derived from an asset. The significant assumptions used in the valuation are discount rates of 5.0% to 13.0% with an average growth rate of 3.00%. ALI Group also considered in its assumptions the impact of the pandemic on the occupancy rate and room rates which are not expected to normalize until 2024. Based on the impairment testing, there is no impairment loss on the Group's hotel property and equipment (see Note 4).

Guimaras Wind's wind farm with carrying value of ₱3,702.4 million and ₱3,909.8 million as at December 31, 2021 and 2020, respectively included under "Plant, Machinery and Equipment" account is mortgaged as security for the long-term loan.



Except as otherwise stated, ALI Group has no restrictions on its property, plant and equipment and none of these have been pledged as security for its obligations. Capital expenditures for hotel buildings in the course of construction amounted to ₱1,133.59 million and ₱3,103.8 million as of December 31, 2021 and 2020, respectively, and are included in property, plant and equipment. The total contractual commitments arising from awarded contracts for the acquisition, development and construction of property, plant and equipment amounted to ₱368.7 million in 2021.

Consolidated depreciation and amortization expense on property, plant and equipment amounted to ₱8,904.9 million, ₱7,885.1 million and ₱9,516.9 million in 2021, 2020 and 2019, respectively (see Note 22).

13. Service Concession Assets and Obligations

Service Concession Assets (SCA)

The movements in this account follow:

	2021	2020
	(In Thousands)	
Cost		
At January 1	₱2,184,801	₱2,165,260
Additions during the year		
Construction and rehabilitation works	7,571	19,541
At December 31	2,192,372	2,184,801
Accumulated amortization		
At January 1	628,560	526,744
Amortization (Note 22)	81,836	101,816
At December 31	710,396	628,560
Net book value	₱1,481,976	₱1,556,241

As of December 31, 2021 and 2020, SCA pertains to the Parent Company's concession agreement with the DPWH.

Variation Order

On February 25, 2013, the DPWH sent a Variation Notice to Pertconsult International, the Project's Independent Consultant (IC), instructing the IC to advise the Parent Company to submit a request for Prior Clearance and Variation Proposal in connection with TRB's directive to include in the Project's design a provision for future expansion of SLEX to accommodate possible fifth lane for both directions at the Filinvest to Susana Heights Section. IC, in its letter to the Project's Management Consultant dated March 4, 2013, effectively directed the Parent Company to comply with the DPWH letter dated February 25, 2013.

Such proposal was made in accordance with the Concession Agreement which provides that in the event the DPWH initiates a variation, the Parent Company as concessionaire, shall prepare a proposal setting out the necessary details and additional cost estimates.

On April 10, 2014, the Parent Company submitted a variation proposal to the DPWH and sought for approval of (1) Direct payment of the construction cost for the works related to the provisioning of the SLEX future expansion amounting to ₱251.2 million inclusive of VAT and (2) Extension of the concession period by 3 ½ years due to the delays encountered as a result of the variation order.

DPWH, in its letter to IC dated February 6, 2015, advised the same that it has issued the approved Prior Clearance/Authority to Issue Variation Order No. 1 with a cap of ₱223.0 million.



On May 27, 2015, the DPWH approved the adjusted cost of the variation order in the amount of ₱223.0 million (which was rectified by the Bureau of Construction as a result of the review conducted) variation proposal and endorsed it to the National Economic and Development Authority (NEDA) for information and appropriate action. Accordingly, the Parent Company reclassified the amount of ₱223.0 million from service concession account to receivables from the Government upon DPWH's approval of the variation order.

NEDA in its meeting held on July 15, 2015 confirmed the recommendation of the variation order.

On May 31, 2016, variation order for the project amounting to ₱16.6 million was reclassified to SCA under investment in toll road. In 2016, the Parent Company received reimbursement from the DPWH for the various expenses incurred during the acquisition of the right of way (ROW) amounting to ₱1.1 million under the Reimbursement Agreement.

On November 21, 2016, the IC recommended to the DPWH that a Certificate of Final Completion be issued for the project. Subsequently, DPWH, in its letter dated December 21, 2016, issued the certificate of completion.

As of December 31, 2021, all the relevant documents have been submitted by the Parent Company and the variation order claim is still being evaluated by the DPWH.

As of December 31, 2021 and 2020, the Parent Company's other receivables include receivable from DPWH amounting to ₱215.9 million pertaining to the variation order and reimbursement of right-of-way acquisition claims.

Service Concession Obligation

Provision for maintenance obligation of MCX

Provision for maintenance obligation pertains to the present value of the estimated contractual obligations of the Parent Company to undertake the financing of the Project's periodic maintenance, which includes renewal and restoration of toll roads and toll road facilities prior to turnover of the asset to DPWH, the grantor.

Under the Minimum Performance Standards and Specifications (MPSS), the Parent Company has the obligation to perform routine and periodic maintenance. Routine maintenance pertains to day-to-day activities to maintain the road infrastructures while periodic maintenance comprises of preventive activities against major defects and reconstruction. Moreover, the Parent Company is required to perform maintenance and repair work in a manner that complies with the MPSS once it hands the asset back to the DPWH. The provision is a product of the best estimate of the expenditure required to settle the obligation based on the usage of the road during the operating phase. The amount is reduced by the actual obligations paid for heavy maintenance of the SCA.

The breakdown of service concession obligations follows:

	2021	2020
	(In Thousands)	
Current	₱40,069	₱19,880
Noncurrent	60,961	66,338
	₱101,030	₱86,218



14. Intangible Assets

The movements in intangible assets follow:

2021												
		Goodwill	Customer Relationships	Unpatented Technology/Intellectual Properties	Developed Software	Licenses	Trademarks	Project Development Cost	Leasehold and Other Rights	Others	Total	
(In Thousands)												
Cost	At January 1	P12,449,019	P1,073,049	P1,470,494	P88,899	P785,647	P2,181,118	P1,300,264	P4,339,349	P2,572,201	P26,260,040	
	Additions during the year	-	-	1,697	5,755	52,635	1,084,787	63,818	-	37,940	161,845	
	Additions through business combination (Note 23)	1,202,136	-	-	-	-	-	-	-	-	2,286,923	
	Exchange differences	266,278	32,110	(70,880)	-	72,992	(23,839)	61,303	-	-	337,964	
	Retirement/Disposals	-	-	-	(15,746)	(376)	(96,553)	(201,060)	-	(16,122)	(444,210)	
	Reclassification/others	(623,999)	-	-	(25,305)	(2,778)	-	400,028	107,457	-	(444,210)	
	At December 31	13,393,434	1,105,159	1,401,311	53,603	908,120	3,143,513	1,124,325	4,739,377	2,717,158	28,586,440	
Accumulated amortization and impairment loss	At January 1	2,466,987	1,035,711	614,489	37,371	564,467	47,757	836,539	832,433	199,713	6,635,467	
	Amortization (Note 22)	-	29,705	17,215	11,073	69,964	5,977	146,148	108,157	118,033	660,272	
	Impairment loss (Note 22)	-	-	-	-	-	-	(31,059)	-	23,379	3,009,075	
	Exchange differences	20,543	-	-	-	36,131	(23,885)	45,816	-	33,099	89,360	
	Retirement/Disposals	(505,772)	(4,179)	(59,703)	(9,096)	873	-	(162,355)	(258,189)	19,734	(918,984)	
	Reclassification/others	1,981,758	1,098,596	726,001	39,348	671,435	29,849	632,089	682,401	393,958	P6,458,435	
	At December 31	P11,411,576	P6,563	P675,310	P14,255	P236,685	P3,113,664	P289,236	P4,056,976	P2,323,640	P22,128,005	

2020

2020												
		Goodwill	Customer Relationships	Unpatented Technology/Intellectual Properties	Developed Software	Licenses	Trademarks	Project Development Cost	Leasehold and Other Rights	Others	Total	
Cost	At January 1	P12,003,420	P1,121,221	P1,489,595	P863,728	P761,300	P895,258	P1,276,544	P4,319,272	P121,764	P22,852,112	
	Additions during the year	-	-	-	16,123	34,458	1,290,414	-	8,736	59,317	3,899,222	
	Additions through business combination (Note 23)	516,994	-	-	-	-	-	(63,805)	-	-	(209,075)	
	Exchange differences	(72,182)	(48,172)	(39,531)	-	4,330	285	77,525	-	-	(790,859)	
	Retirement/Disposals	-	-	-	(790,859)	-	-	-	-	-	-	
	Reclassification/others	787	-	20,440	(93)	(14,441)	(4,839)	1,300,264	11,341	258,603	349,323	
	At December 31	12,449,019	1,073,049	1,470,494	88,899	786,647	2,181,118	1,300,264	4,339,349	2,572,201	26,260,040	
Accumulated amortization and impairment loss	At January 1	2,457,900	1,046,233	392,727	807,646	526,292	15,430	291,193	682,400	7,385	6,226,186	
	Amortization (Note 22)	-	42,069	167,618	20,370	57,678	23,886	261,935	150,033	127,463	627,386	
	Impairment loss (Note 22)	27,117	-	81,750	-	(5,424)	8,441	(28,661)	-	-	361,414	
	Exchange differences	(18,030)	(62,591)	(25,762)	-	(790,798)	-	78,948	-	-	(117,564)	
	Retirement/Disposals	-	-	-	-	(13,079)	-	-	-	-	(790,798)	
	Reclassification/others	-	-	(2,024)	37,371	564,467	47,757	836,539	832,433	64,885	126,863	
	At December 31	P2,466,987	1,035,711	614,489	P51,528	P221,180	P2,181,118	P1,300,264	P3,506,916	P2,372,468	P19,624,573	

Goodwill pertains to the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Impairment Testing of Goodwill for the Group

The Group's goodwill are tested for impairment annually as follows:

IMI Group

Goodwill acquired through business combinations have been allocated to the particular CGUs of IMI for impairment testing as follows (amounts in thousands):

	2021		2020	
	In US\$	In Php*	In US\$	In Php*
STI	US\$58,642	₱2,989,218	US\$58,638	₱2,815,781
VIA	46,955	2,393,484	48,728	2,339,938
Speedy Tech Electronics, Ltd. (STEL)	38,225	1,948,481	38,225	1,835,573
IMI	1,098	55,969	1,098	52,715
IMI CZ	513	26,150	556	26,701
	US\$145,433	₱7,413,302	US\$147,245	₱7,070,708

*Translated using the PDEX closing exchange rate at the consolidated statement of financial position date (US\$1:₱50.99 in 2021 and US\$1:₱48.02 in 2020).

STI, VIA, STEL Group and IMI CZ

The recoverable amounts of these CGUs have been based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections are as follows:

	2021	2020
VIA	8.30%	10.11%
STEL	14.72%	11.45%
STI	12.01%	12.85%
IMI CZ	11.37%	10.60%

Cash flows beyond the five-year period are extrapolated using a steady growth rate of 1%, which does not exceed the compound annual growth rate (CAGR) for the global electronic manufacturing services (EMS) industry, specifically on automotive, industrial equipment, consumer electronics and telecommunications segments.

Key assumptions used in value-in-use calculations

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Revenue - Revenue forecasts are management's best estimates considering factors such as industry CAGR, existing customer contracts and projections, historical experiences and other economic factors.
- Forecasted gross margins - Gross margins are based on the mix of business model arrangements with the customers.
- Overhead and administrative expenses - estimates are based on applicable inflation rates in the respective countries of the cash generating units considering expected future cost efficiencies and production facilities rationalization.
- Pre-tax discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance. The discount rate calculation is based on the specific circumstances of IMI Group and its operating segments and is derived from its weighted average cost of capital.



In 2021 and 2020 despite the weak economy and impact of the pandemic, management assessed that no additional impairment loss should be recognized given the strategies in place to improve the financial projections and lower discount rates. No impairment loss was assessed for STI, VIA, IMI and IMI CZ in 2021, 2020 and 2019. For STEL, an impairment loss amounting to US\$6.90 million was recognized triggered by slowing growth in the region in 2018 (see Note 22).

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of STI, VIA, STEL and IMI CZ, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of these CGUs to exceed their recoverable amount.

IMI

The goodwill of IMI pertains to its acquisition of M. Hansson Consulting, Inc. (MHCI) in 2006 and IMI USA in 2005. MHCI was subsequently merged to IMI as testing and development department. IMI USA acts as direct support to IMI Group's customers by providing program management, customer service, engineering development and prototyping manufacturing services. IMI USA's expertise in product design and development particularly on the flip chip technology is being used across IMI Group in providing competitive solutions to customers. In 2018, the recoverable amount was based on the market price of IMI's shares at valuation date less estimated costs to sell. The fair value of the IMI's shares represents the value of IMI Group. In 2021 and 2020, given the volatile market, IMI Group assessed the impairment based on value-in-use calculations using cash flow projections of IMI from financial budgets approved by management covering a 5-year period.

The comparison of the recoverable amounts and the carrying amounts resulted to no impairment loss in 2021, 2020 and 2019.

ACEIC Group

Goodwill recognized in 2020 came from the acquisition of ISLASOL amounting to ₱12.5 million (see Note 23).

ACEIC Group performs its annual impairment test in December and when circumstances indicate that the carrying value may be impaired. In light of the impact of COVID-19 and the enhanced community quarantine restricting movements and construction activities, management reassessed recoverable amounts for ACEIC Group's goodwill. Forecasts and the underlying assumptions from an earlier impairment testing date (those disclosed in the annual consolidated financial statements as of December 31, 2020), have been revised to reflect the economic conditions as of December 31, 2021 and updated to reflect the potential impact of COVID-19.

The recoverable amount is based on value in use calculations using cash flow projections from financial budgets approved by ACEIC management covering the period the CGU is expected to be operational. Based on management's assessment, there is no impairment loss to be recognized on goodwill as of December 31, 2021. The pre-tax discount rates in the updated analysis range from 7.3% to 10.6% which is based on weighted average cost of capital of comparable entities. The growth rate ranges from 1.0% to 3.0%. The value-in-use computation is most sensitive to the discount rate and growth rate applied to the cash flow projections.

No impairment loss was recognized in 2021, 2020 and 2019, respectively.

AC Health Group

The recoverable amount of Generika Group and Healthway Group as of December 31, 2021 have been determined based on the value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 9.9% and cash flows beyond the five-year period are extrapolated using a 5.5% growth rate that is the same as the long-term average growth rate for the pharmaceutical industry.



The calculation of value in use for the CGUs are most sensitive to the following assumptions:

- Revenue – Revenue forecasts are management's best estimates considering factors such as industry growth rate, customer projections and other economic factors
- Forecasted gross margins – Gross margins are based on the mix of business model arrangements with the customers
- Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of these CGUs to exceed their recoverable amount.

The Group also performed impairment testing for all other goodwill. Total impairment loss recognized by the Group on goodwill amounted to nil, ₱27.1 million and ₱367.9 million in 2021, 2020 and 2019, respectively.

Customer relationships

Customer relationships pertain to STEL Group, IMI BG and VTS' contractual agreements with certain customers which lay out the principal terms upon which the parties agree to undertake business. Customer relationships of STEL and IMI BG aggregating \$19.7 million (₱945.9 million) were fully amortized as of December 31, 2021 and 2020.

Unpatented Technology

Unpatented technology is arising from STEL Group's products which are technologically feasible, as well as from Merlin Solar Technologies, Inc. (Merlin USA), a subsidiary of AC Industrials, which was recognized in 2018 after the completion of AC Industrial's acquisition of Merlin USA. These technologies are also unique, difficult to design around, and meet the separability criteria.

As of December 31, 2021 and 2020, the carrying value of STEL Group and Merlin USA's unpatented technology amounted to ₱376.7 million and ₱576.1 million, respectively.

The unpatented technology amounting to \$0.01 million (₱0.5 million) was fully amortized as of December 31, 2021 and 2020.

This also includes intellectual properties which relates to the acquisition of VIA and VTS. VIA's intellectual properties pertain to display system optically bonded to a display region and enhanced liquid crystal display system and methods. The finalization of the purchase price allocation for the acquisition of VIA resulted to the measurement of intellectual properties at fair value amounting to \$7.85 million.

As of December 31, 2021 and 2020, the carrying value of VIA's and VTS's intellectual properties amounted to \$2.58 million and \$5.9 million, respectively.

Licenses

This includes acquisitions of computer software, applications and modules.

Developed Software

Developed software includes the system application acquired by the AC Health to compile its electronic medical records, as well as to facilitate online pharmacy and consultation. It also includes developed software pertaining to HCXI.



Trademarks

Trademarks pertain to the trademark recognized by AC Industrial from the acquisition of Merlin USA and trademark recognized by AC Health from the acquisition of Healthway Philippines, Inc. and Generika Group by AC Health in 2020 and 2019, respectively. The trademark of AC Industrial has a definite useful life while the trademarks of AC Health have an indefinite useful life.

The recoverable amount of the Generika Group amounting to ₱5,865.4 million as of December 31, 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 11.60% and cash flows beyond the five-year period are extrapolated using a 5.98% growth rate that is the same as the long-term average growth rate for the pharmaceutical industry.

Project development cost

Project development cost includes cost arising from the development phase of certain projects of IMI which are still undergoing qualification. Due to significant delay in the ramp up of certain projects and declining demand brought by the global automotive downturn, IMI Group recognized impairment loss amounting to ₱228.7 million in 2020 (see Note 22).

Leasehold and other rights

Leasehold rights consist of the following:

- Through the acquisition of AyalaLand Logistics Holdings Corp. (ALLHC), ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR) (see Notes 24 and 30).
- TKPI's leasehold rights pertains to the right to use the property in Apulit Island located in Taytay, Palawan expiring on December 31, 2029.
- NTDCC's leasehold rights refer to development rights on an 8.3-hectare portion of the MRT Development Corporation, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center.
- Through the acquisition of Solienda, ACEIC acquired the absolute and irrevocable title, rights and interests in the contract of lease, and the subsequent amendment agreements, of San Julio Realty, Inc. (SJRI) with San Carlos Sun Power, Inc. (SACASUN), San Carlos Solar Energy, Inc. (SACASOL) and San Carlos Biopower Inc. (SCBP). The Assignment Agreements were amended on December 26, 2016 to clarify that SJRI irrevocably assigns, transfers and conveys absolutely unto Solienda, Inc. all its rights, ownership and/or interest in 50% of the total rental payments due under the Contracts of Lease. The parties undertake to provide continuing support for the full implementation of the Agreements and shall perform in good faith any and all facts necessary to implement the Agreements and its amendments.

Others

Other intangible assets include contract of ACEIC Group for the supply and distribution of water to third parties. This also includes intangible asset arising from identifiable FIT contract which was recognized from the acquisition of SACASOL with remaining useful life of 13 years (see Note 23).

15. Other Noncurrent Assets

This account consists of the following:

	2021	2020
	(In Thousands)	
Investment in debt and equity securities	₱35,953,267	₱24,918,211
Deferred charges	14,954,424	11,861,180
Advances to contractors and suppliers	8,453,875	9,387,018
Deferred input VAT	2,785,101	4,122,796

(Forward)



	2021	2020
	(In Thousands)	
Creditable withholding taxes	₱2,205,736	₱1,343,207
Deposits - others	1,918,082	2,654,421
Pension assets (Note 27)	68,085	22,472
Others (Note 31)	3,620,738	4,542,224
	₱69,959,308	₱58,851,529

Investments in debt and equity securities

This account consists of debt and equity investments, which are classified as financial assets at amortized cost, financial assets at fair value through OCI and financial assets at fair value through profit or loss as follows:

	2021	2020
	(In Thousands)	
Financial assets at amortized cost		
Redeemable preferred shares and subscription deposits	₱12,766,483	₱8,181,268
Convertible loans	13,319,476	7,115,837
Financial assets at FVOCI		
Investment in bonds	2,309,440	2,309,440
Quoted equity investments	1,682,355	2,124,826
Unquoted equity investments	1,996,917	1,224,942
Financial assets at FVTPL		
Convertible loans	3,878,596	3,961,898
	₱35,953,267	₱24,918,211

Financial assets at amortized cost

Investment in redeemable preferred shares and subscription deposits

The rollforward analysis of this account follows:

	2021	2020
	(In Thousands)	
Balances at beginning of year	₱8,181,268	₱3,374,290
Subscription to redeemable preferred shares	866,258	2,899,775
Subscription deposits	3,150,370	2,087,275
Conversion of subscription deposits	(3,416,093)	—
Conversion to redeemable preferred shares	3,417,430	—
Cumulative translation adjustment	567,250	(180,072)
Balances at end of year	₱12,766,483	₱8,181,268

Investments in redeemable preferred shares

UPC Renewables Asia III Ltd. (UPC Asia III)

On January 11, 2017, ACEIC Group entered into an agreement for subscription to Redeemable Class A preferred shares of UPC Asia III. UPC Asia III owns 75MW Wind Farm in South Sulawesi, Indonesia. Redeemable Class A preferred shares are entitled to dividends at fixed, cumulative, and compounding rate annually. The Redeemable Class A preferred shares are non-voting shares and are redeemable at par plus any accrued dividends at the holder's option within 60 days from earlier of July 15, 2035 or date as soon as funds are realized by UPC Asia III or its subsidiaries.

As of December 31, 2021 and 2020, investment in Redeemable Class A preferred shares amounted to US\$21.86 million (₱1,110.14 million) and US\$21.86 million (₱1,050.28 million), respectively. Interest income amounted to US\$4.08 million (₱201.85 million) and US\$4.18 million (₱207.25 million) in 2021 and 2020, respectively.



AMI AC Renewables Corporation (AAR)

On January 22, 2018, ACEIC Group entered into an agreement for subscription to Redeemable Class A and B preferred shares of AAR. AAR owns a combined 80MW of Solar Farm in Khan Hoa and Dak Lak Province, Vietnam. Redeemable Class A and B preferred shares are entitled to dividends at fixed base rate annually. The Redeemable Class A and Class B preferred shares are redeemable at par and only by cash at the issuer's option on "first in, first out" basis but no earlier than the 5th year from subscription date and no later than the end of the project, and all accrued coupons are current.

In 2021, The Group converted its subscription deposits to Class A preferred shares for a total of US\$55.84 million (P2,835.19 million). In 2020, the Group subscribed to Class A preferred shares for a total of US\$46.37 million (P2,227.27 million).

As of December 31, 2021 and 2020, investment in Redeemable Class A and B preferred shares amounted to US\$122.2 million (P6, 202.34 million) and US\$66.3 million (P3,185.57 million), respectively. Interest income amounted to US\$11.7 million (P580.14 million), US\$4.66 million (P228.07 million) and US\$2.24 million (P107.86 million) in 2021, 2020 and 2019, respectively.

BIM Renewable Energy Joint Stock Company (BIMRE)

In November 2019, ACEIC Group converted deposit for future equity in BIMRE into 3,437,000 redeemable Class A preferred shares and 3,437,000 redeemable Class B preferred shares. BIMRE owns 300MW of Solar Farm in Ninh Thuan Province, Vietnam. The Redeemable Class A and Class B preferred shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable at par and only by cash and at the issuer's option on "first in, first out" basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date and no later than the end of project, and all accrued coupons are current.

In 2021, The Group subscribed to redeemable Class B for a total of US\$0.01 million (P0.03 million) while US\$3.96 million (P192.12 million) subscription deposits were converted to redeemable Class A and Class B preferred shares.

As of December 31, 2021, and 2020, investment in Redeemable Class A and Class B preferred shares amounted to US\$24.39 million (P1,238.21 million) and US\$20.43 million (P981.30 million), respectively. Interest income amounted to US\$3.17 million (P156.61 million), US\$2.75 million (P136.18 million) and US\$2.34 million (P112.55 million) in 2021, 2020 and 2019, respectively.

BIM Energy Joint Stock Company (BIME)

On November 4, 2019, ACEIC Group converted deposit for future equity in BIME into 343,700 redeemable Class A preferred shares and 343,700 redeemable Class B preferred shares. BIMRE owns 30MW of Solar Farm in Ninh Thuan Province, Vietnam. The Redeemable Class A and Class B preferred shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable at par and only by cash and at the issuer's option on "first in, first out" basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date and no later than the end of project, and all accrued coupons are current.

In 2021, The Group subscribed to redeemable Class B for a total of US\$0.01 million (P0.06 million).

As of December 31, 2021, and 2020, investment in Redeemable Class A and Class B preferred shares amounted to US\$4.26 million (P216.05 million) and US\$4.25 million (P204.34 million), respectively. Interest income amounted to US\$0.55 million (P27.44 million), US\$0.56 million (P27.58 million) and US\$0.29 million (P14.16 million) in 2021, 2020 and 2019, respectively.



UPC-AC Energy Solar Limited (UPC Solar)

On July 29, 2020, the Group entered into an agreement for subscription of Class A Redeemable Preferred Shares. UPC Solar is currently developing solar farms with combined capacity of 210 MW in the Provinces of Rajasthan and Gujarat, India. The Class A Redeemable Preferred Shares are nonvoting shares entitled to dividends at fixed, cumulative, compounding base rate annually. These are redeemable at the option of the issuer and subject to cash availability and these will be redeemed after commercial operations date and no later than the end of project.

In 2021 and 2020, The Group subscribed to redeemable Class A Redeemable preferred shares for a total of US\$17.50 million (₱866.17 million) and US\$14.00 million (₱672.50 million), respectively.

As of December 31, 2021, and 2020, investment in Class A Redeemable Preferred shares amounted to US\$31.50 million (₱1,599.38 million) and US\$14.00 million (₱672.50 million), respectively. Interest income amounted to US\$2.54 million (₱125.54 million), US\$0.25 million (₱12.28 million) and nil in 2021, 2020 and 2019, respectively.

Redeemable preferred shares bear coupon ranging from 11.2% to 14.0% per annum. Dividends on redeemable preferred shares which are classified and accrued as interest income on a monthly basis are subject to declaration prior to payment.

Investment in BIM Wind

On July 7, 2020, the ACEIC Group entered into a Share Subscription Agreement for future Common and Redeemable Preferred Shares of BIM Wind. The Redeemable preferred shares are non-voting shares entitled to dividends at fixed, cumulative, compounding base rate annually. These are redeemable at the option of the issuer and subject to cash availability and no later than the end of project.

In 2021, the Group converted its subscription deposits to redeemable preferred shares for a total of US\$7.68 million (₱390.11 million).

As of December 31, 2021, and 2020, investment in Redeemable preferred shares amounted to US\$7.68 million (₱390.11 million) and nil, respectively. Interest income amounted to US\$1.22 million (₱60.31 million) in 2021 and nil in 2020 and 2019, respectively.

Subscription Deposits

In 2020, ACEIC Group entered an Amendment and Supplement to Share Subscription Agreement for additional Common Shares, Class A Preferred Shares and Class B Preferred Shares for 30% ownership in BIMRE. In 2020, the Group made subscription deposit amounted to \$3.96 million (₱190.1 million) which was subsequently converted in 2021.

As at December 31, 2021 and 2020, total subscriptions deposit made for Class B Preferred Shares is nil and \$3.96 million (₱190.1 million), respectively.

On April 16, 2020, ACEIC Group entered into a Share Subscription and Deposit Agreement for additional Class A Preferred Shares of AAR. AAR owns the 50 MW solar plant in Khan Hoa province and 30 MW solar plant in Dak Lak province, both in Vietnam. In 2021 and 2020, the Group subscribed to future Class A Preferred shares amounted to \$50.59 million (₱2,508.05 million) and \$7.52 million (₱361.4 million), respectively. Subscriptions amounted to \$55.85 million (₱2,835.87 million) were partially converted to Class A Redeemable Preferred Shares of AAR in 2021, while nil in 2020.

As of December 31, 2021, and 2020, the remaining unconverted subscription deposit amounted to \$2.26 million (₱114.88 million) and \$7.52 million (₱361.41 million), respectively.



On July 7, 2020, ACEIC Group entered into a Share Subscription and Deposit Agreement for non-interest deposit with BIM Wind. In 2021 and 2020, the Group made subscription deposit amounted to \$13.04 million (P642.32 million) and \$31.97 million (P1,535.75 million), respectively. Subscriptions amounted to \$7.68 million (P390.11 million) was partially converted in 2021, while nil in 2020.

As of December 31, 2021, and 2020, the remaining unconverted subscription deposit amounted to \$37.33 million (P1,895.36 million) and \$31.97 million (P1,535.75 million), respectively.

Convertible loans

The rollforward analysis of this account follows (in thousands):

	2021	2020
Balance at January 1	P7,115,837	P—
Reclassified from receivables from related parties	—	1,196,290
Additions	6,542,561	5,983,388
Redemptions	(791,328)	
Cumulative translation adjustment	452,406	(63,841)
Balance at December 31	P13,319,476	P7,115,837

UPC-AC Energy Australia HK Ltd

On May 26, 2020, the Group entered into an agreement with UPC-AC Energy Australia HK Ltd. to make available a convertible loan facility in aggregate principal amount not exceeding US\$48.5 million (P2,350.6 million). The Convertible Shareholder Loan Agreement was entered for the development and construction of NESF Project. The principal and interest of the convertible loan are payable on 25th anniversary of the drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. Redeemable preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The redeemable preferred shares are redeemable only by cash at the issuer's option on "first in first out" basis but no later than end of the project.

On September 30, 2020, the Group entered into an agreement to make available a convertible term loan facility in an aggregate principal amount of US\$275.0 million (P13,327.9 million). The Convertible Shareholder Loan Agreement was entered to fund various investments in Australia. The principal and interest of the convertible loan are payable on 25th anniversary of the drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. Redeemable preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The redeemable preferred shares are redeemable only by cash at the issuer's option on "first in first out" basis but no later than end of the project.

In 2021, total amount drawn from the loan amounted to US\$129.72 million (P6,501.94 million) while total redemptions amounted to US\$16.33 million (P791.33 million).

As of December 31, 2021 and 2020, outstanding balance of the convertible loan amounted to US\$178.2 million (P9,048.0 million) and US\$64.8 million (P3,113.1 million), respectively. Interest income amounted to US\$12.2 million (P600.2 million) and US\$2.0 million (P94.8 million) and nil in 2021, 2020 and 2019, respectively.



Vietnam Wind Energy Limited

On April 17, 2020, the Group entered into a Convertible Shareholder Agreement with Vietnam Wind Energy Limited to make available a convertible loan facility in aggregate principal amount not exceeding US\$38.0 million (P1,841.7 million). The Convertible Shareholder Agreement was entered to provide financing for the development and construction of various wind projects in Vietnam. The convertible loan bears annual fixed rate and payable upon maturity. The principal and interest of the convertible loan are payable 220 months after the project commercial operations date. The Group, from time to time until the maturity date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. Redeemable preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The redeemable preferred shares are redeemable only by cash at the issuer's option on "first in first out" basis no later than end of the project.

As of December 31, 2021, and 2020, outstanding balance of the convertible loan amounted to US\$38.0 million (P1,929.4 million) and US\$38.0 million (P1,825.4 million), respectively. Interest income amounted to US\$4.90 million (P242.3 million), US\$2.9 million (P140.7 million), and nil in 2021, 2020 and 2019, respectively.

Asian Wind Power 1 HK Ltd

On April 12, 2019, the Group entered into a Convertible Preferred A Facility Agreement with Asian Wind Power 1 HK Ltd to make available a convertible loan facility in aggregate principal amount not exceeding US\$26.00 million (P1,260.09 million). The Convertible Preferred A Facility Agreement was entered to finance the development and construction of Dai Phong Project. The convertible loan bears annual fixed rate payable quarterly. The principal and interest of the convertible loan are payable on 25th anniversary of drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.00 per share. Shares issued shall be valid, fully paid, non-assessable, Class A preferred shares with no voting rights. Class A preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. The Class A preferred shares is redeemable only by cash at the issuer's option on "first in first out" basis.

As of December 31, 2021, and 2020, outstanding balance of the convertible loan amounted to US\$24.6 million (P1,247.8 million) and US\$24.6 million (P1,180.5 million), respectively. Interest income amounted to US\$3.5 million (P170.7 million), US\$5.4 million (P271.1 million) and US\$2.0 million (P94.2 million) in 2021, 2020 and 2019, respectively.

Asian Wind Power 2 HK Ltd

In March 2020, the Group entered into a Convertible Preferred A Facility Agreement with Asian Wind Power 2 HK Ltd to make available a convertible loan facility in aggregate principal amount not exceeding US\$23.0 million (P1,114.7 million). The Convertible Preferred A Facility Agreement was entered to finance the development and construction of Hong Phong 1 Project. The convertible loan bears annual fixed rate payable quarterly. The principal and interest of the convertible loan are payable on 25th anniversary of drawdown date. The Group, from time to time until the 25th anniversary of the drawdown date, has an irrevocable right to convert all or part of the conversion amount into conversion shares at US\$1.0 per share. Shares issued shall be valid, fully paid, non-assessable, Class A preferred shares with no voting rights. Class A preferred shares shall earn coupon rate of which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends. Class A preferred share is redeemable only by cash at the issuer's option on "first in first out" basis.

As of December 31, 2021 and 2020, outstanding balance of the convertible loan amounted to US\$21.55 million (P1,094.33 million) and US\$20.75 million (P996.89 million), respectively. Interest income amounted to US\$2.71 million (P133.74 million), US\$1.73 million (P85.31 million) and nil in 2021, 2020, and 2019, respectively.



Both for Asian Wind Power 1 HK Ltd and Asian Wind Power 2 HK Ltd, loans converted to investment in redeemable preferred shares are redeemable at the option of the issuer at par and has to be redeemed in case a liquidation event occurs and before returning the capital to the ordinary shareholders.

Convertible loan facilities bear interest ranging from 8.5% to 12.0% per annum.

Financial assets at FVOCI

Investment in Bonds

Investment in bonds pertain to non-interest bearing bonds with a term of 36-months. The Group recorded the investment as financial asset at fair value through other comprehensive income. The fair value of the investment in bonds is determined using the binomial lattice approach. The fair value of the investment is categorized under Level 3.

Quoted Equity Investments

Quoted equity instruments consist mainly of investments in listed equity securities and golf club shares. Investments in golf club shares wherein ALI Group does not exercise control or demonstrate significant influence amounted to ₱2,206.4 million and ₱1,578.6 million as of December 31, 2021 and 2020, respectively. It also includes the following quoted equity investment:

Ho Chi Minh City Infrastructure Investment Joint Stock Co. (CII)

The Group, through BHL, has acquired a 10% ownership interest in CII for US\$15.9 million in 2012. CII is listed on the Ho Chi Minh City Stock Exchange and is a leading player in the infrastructure sector in Vietnam. CII has a portfolio of strategic infrastructure assets, including water treatment plants and toll roads serving Ho Chi Minh City and surrounding areas.

The carrying amount of the investment in CII amounted to US\$3.7 million (₱177.1 million) as of December 31, 2020.

In 2021, the Group disposed of its remaining investment in CII for a total consideration of US\$4.1 million (₱207.8 million).

Unquoted Equity Investments

Unquoted equity investments include unlisted preferred shares in public utility companies which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects, water utilities projects, and to its other operations. It also includes the following unquoted equity investments from ACEIC Group:

Investments in Negros Island Solar Power, Inc. (ISLASOL) and San Carlos Solar Energy, Inc. (SACASOL)

In 2020, following ACEIC Group's acquisition of ISLASOL and SACASOL, previously held interest in these companies were reclassified from financial assets at FVOCI to investment in subsidiaries (see Note 23).



The net fair value gain (loss) on financial assets at FVOCI as reflected in the equity section is broken down as follows:

	2021	2020
	(In thousands)	
Net unrealized loss on financial assets at FVOCI of the Parent Company and its consolidated subsidiaries	(P1,244,891)	(P1,099,522)
Share in the net unrealized gain / (loss) on financial assets at FVOCI of associates and joint ventures	(462,761)	1,139,643
Reserves under PFRS 5	(12,949)	671
	(P1,720,601)	P40,792

The rollforward of unrealized gain (loss) on financial assets at FVOCI of the Parent Company and its consolidated subsidiaries is as follows:

	2021	2020
	(In thousands)	
At January 1	(P1,099,522)	(P1,181,953)
Changes in fair value recognized in equity	(124,531)	(99,453)
Reclassification of the FV loss on FVOCI equity investments	(20,838)	181,884
At December 31	(P1,244,891)	(P1,099,522)

Financial assets at FVTPL

Convertible loans

First Myanmar Investment Public Co. (FMI)

On November 8, 2019, the Parent Company signed definitive agreements to acquire a 20% stake in FMI.

The investment in FMI will be via US\$82.5 million convertible loan, which was made by VIP on January 23, 2020. VIP disbursed US\$82.5 million into FMI after securing approval from the Central Bank of Myanmar. The transaction forms part of the VIP's \$237.5 million investment in Yoma Group (see Note 10).

The term of the loan is two (2) years with an option to extend to five (5) years. The said loan is convertible to a 20% stake in FMI, and is subject to the satisfaction of certain conditions, including the issuance of regulations by the relevant Myanmar authorities allowing FMI to list the shares received by VIP upon conversion and VIP to trade the said shares, among others. Interest on the said loan shall be equal to any dividends or distributions declared by FMI from time to time to existing shareholders. As of December 31, 2021, the convertible loan remains unconverted.

Deferred charges

Deferred charges includes ALI's project costs incurred for unlaunched projects of the group, advance rental payments, and noncurrent prepaid management fees. This also includes ALI's noncurrent portion of cost to obtain contracts which includes prepaid commissions and advances to brokers.

Deferred charges also include IMI's tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.

Advances to contractors

Advances to contractors represents prepayments for the construction of investment properties, property and equipment and service concession assets.



Deferred input VAT

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods.

Creditable Withholding Tax

The Group will be able to apply the creditable withholding taxes against income tax payable or can be claimed as tax refund from the BIR.

Deposits - others

This includes deposits and advances for projects which include escrow deposits and security deposits on land leases, electric and water meter deposits.

Others

Others pertain to prepayments for expenses that is amortized for more than one year. In 2021 and 2020, this includes restricted cash which amounted to ₱137.8 million and ₱4,083.3 million, respectively, that is not available for use by the Group (see Note 18).

16. Accounts Payable and Accrued Expenses

This account consists of the following:

	2021	2020
	(In Thousands)	
Accounts payable	₱92,071,494	₱95,403,179
Accrued expenses		
Project costs	16,095,588	18,220,433
Personnel costs	7,764,039	8,680,897
Professional and management fees	2,572,883	3,189,430
Repairs and maintenance	2,180,000	1,796,103
Various operating expenses	1,170,616	5,963,087
Advertising and promotions	999,098	1,128,123
Rental and utilities	850,851	1,283,483
Taxes payable	20,226,428	20,263,873
Liability for purchased land	9,576,947	9,316,978
Retentions payable	5,875,865	4,801,113
Interest payable	5,274,460	3,740,812
Dividends payable	2,728,156	2,251,883
Related parties (Note 31)	1,364,376	1,275,963
	₱168,750,801	₱177,315,357

Accounts payable and accrued expenses are non-interest bearing and are normally settled on 15- to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

Accrued project costs are billings not yet received from suppliers for direct materials and services from subcontractors. These are accruals of project costs such as equipment charges, materials, labor, overhead and provision for repairs and maintenance.

Accrued various operating expenses include accruals for supplies, commissions, transportation and travel, insurance, representation, dues and fees and others.

Taxes payable consists of output VAT, withholding taxes, business taxes, capital gains tax and other statutory payables,

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.



Retentions payable pertains to the amount withheld by ALI Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

17. Other Current Liabilities

This account consists of:

	2021	2020
	(In Thousands)	
Customers deposits	₱28,625,760	₱25,124,784
Nontrade payables	874,936	704,620
Contract liabilities	320,068	142,292
Derivative liability	241,744	4,248
Financial liabilities on put option (Notes 23 and 32)	119,665	466,712
Installment payable	2,244	153,784
	₱30,184,417	₱26,596,440

Deposits pertain to security and customers' deposits. Security deposits are normally equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion (see Note 3). The amount of revenue recognized from amounts included in customers' deposits at the beginning of the year amounted to ₱30,239.3 million and ₱21,087.9 million in 2021 and 2020, respectively.

Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.

Contract liabilities include short-term advances received to render manufacturing services. Contract liabilities are recognized as revenue when the Group performs under the contract.

Financial liabilities on put option relate to the acquisition of VIA, STI and C-CON.

VIA

The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options). The 5% put option is exercisable any time between the 1st and 3rd anniversary of the agreement or if prior to the 3rd anniversary, the share capital of VIA is increased, the 5% put option may be exercised within three months from registration of the capital increase. The exit put options are exercisable when there is a termination for a cause of the service agreement or the share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%.

In 2020, the put options of VIA was terminated in accordance with the amendment in the shareholders' agreement. Triggered by VIA's IPO, the balance of \$15.3 million liability before the termination was closed to equity under Additional paid-in capital account of IMI (see Note 23).



STI

The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all noncontrolling interests held upon the happening of certain trigger events as specified in the shareholders agreement. The put option of STI is exercisable during the period commencing upon the earlier of: (1) No Fault Leaver Event (i.e., First Founder of STI ceases to be an employee of a member of the STI Group) occurring in respect of a Founder, (2) the aggregate relevant proportion of the Founders falling to less than 5%, or (3) the fifth anniversary of the service agreement. Mark-to-market gains (losses) on put options included under "Other income" account amounted to \$1.6 million, \$6.1 million and \$3.5 million in 2021, 2020 and 2019, respectively.

C-CON

Minority shareholder of C-CON Group have the right to require MT Technologies to purchase and acquire all its shares. The option can be exercised after the holding period, which is defined as the 8th anniversary year after the acquisition date, April 1, 2019. Based on the management's judgment, the put options will be exercised by the minority shareholders on April 1, 2027 or the 8th anniversary year after the acquisition date.

18. Short-term and Long-term Debt

Short-term debt consists of:

	2021	2020
	(In Thousands)	
Philippine peso debt - with interest rates ranging from 2.12% to 6.86% per annum in 2021 and 2.4% to 10% per annum in 2020	₱24,086,729	₱21,791,882
Foreign currency debt - with interest rates ranging from 1.44% to 5.00% in 2021 and 1.16% to 4.73% in 2020	10,625,310	10,647,625
	₱34,712,039	₱32,439,507

Parent Company

In January 2021, the Parent Company entered into a US\$10.0 million 3-month loan agreement at 1.0% per annum with BPI, which matured in April 2021. In April 2021, the loan was renewed at 1.2% per annum and matured in July 2021. The Parent Company entered into a foreign currency swap with a foreign bank with a local branch matching the same amount and maturity dates to mitigate the foreign currency exposures arising from these USD borrowings converted to Philippine Peso. The Parent Company assessed the hedge to be highly effective. The changes in fair value of the hedge are included in foreign exchange gains – net under Other income.

In July 2021, the Parent Company entered into a US\$10.0 million unsecured loan agreement with an international bank with a license to operate as a commercial bank in the Philippines, to mature in October 2021. In October 2021, this was renewed by the Parent Company by entering into a US\$10 million loan agreement with the bank to mature in March 2022. In September 2021, the Parent Company entered into US\$10 million unsecured loan agreement with the same bank to mature in December 2021. In December 2021, the Parent Company renewed the borrowing by entering into another US\$10 million unsecured loan agreement with the said bank to mature in March 2022. Lastly, in December 2021, the Parent Company entered into another new US\$10.0 million unsecured loan agreement with the same bank to mature in March 2022. The Parent Company entered into corresponding Sell/Buy FX Swap transactions with a foreign bank matching the principal amounts and tenors of the underlying USD borrowings to mitigate the FX exposures arising from the USD loans.



ALI Group

The short-term debt of ALI Group amounting to ₱16,782.5 million and ₱9,131.3 million as of December 31, 2021 and 2020, respectively, represents peso and foreign-currency denominated bank loans with various interest rates. Peso-denominated short term loans had a weighted average cost of 2.1% and 4.0% per annum in 2021 and 2020, respectively.

In compliance with Bangko Sentral ng Pilipinas (BSP) rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱6,368.9 million and ₱13,231.3 million as of December 31, 2021 and 2020, respectively, are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to ₱2,907.2 million and ₱2,288.3 million as of December 31, 2021 and 2020, respectively, which is accounted as part of the "Investment properties" account.

AC Industrial Group

The Philippine peso debt of AC Industrial Group pertains to short-term loans with various banks and institutions amounting to ₱4,488.6 million and ₱5,394.9 million as of December 31, 2021 and 2020, respectively. These loans are unsecured and bear interest rate of 4.3% to 6.0% and 4.8% to 5.8% per annum in 2021 and 2020, respectively.

The short-term foreign currency denominated debt amounted to ₱641.1 million and ₱434.9 million as of December 31, 2021 and December 31, 2020, respectively. These loans are unsecured and bear interest rate of 2.6% to 5.0% per annum in 2021 and 2.6% to 5.0% per annum in 2020.

AIVPL Group

The peso-denominated and dollar-denominated debt of AIVPL Group through its subsidiary, Affinity Express India Private Limited (AEIPL), pertains to short-term loans with various banks amounting to ₱538.7 million and ₱507.2 million as of December 31, 2021 and 2020, respectively. These loans are unsecured and bear interest rate at nil and 3.3% to 5.5% per annum in 2021 and 2020, respectively.

IMI Group

As of December 31, 2021 and 2020, IMI Group has unsecured short-term loans aggregating to US\$165.8 million (₱8,420.2 million) and US\$206.5 million (₱9,916.3 million), respectively. These short-term loans have maturities ranging from 30-180 days and bear fixed interest rates ranging from 1.4% to 2.0% and 1.42% to 2.94% per annum in 2021 and 2020, respectively.

AC Infra

Entrego

In 2019, Entrego obtained up to ₱600.0 million unsecured short-term credit facilities, which is subject to interest based on prevailing market rates of 5.0% to 6.5% from BPI and RCBC, each, to fund its operations. Entrego successfully drawn ₱350.0 million and ₱250.0 million from its BPI and RCBC credit facilities as of December 31, 2019.

In 2020, Entrego obtained and drawn ₱1,000.0 million unsecured short-term credit facilities, which are subject to interest based on prevailing market rates of 4.8% to 6.0% from BPI and RCBC to fund its operations. Entrego made payments on RCBC loan amounting to ₱600.0 million reducing the outstanding loan balance to ₱1,000.0 million.

In 2021, Entrego paid ₱350.0 million out of its ₱1,000.0 million loan from BPI.

Entex

In 2020, Entex obtained and drew a ₱1,000.0 million unsecured short-term credit facility, which is subject to interest based on prevailing market rates from RCBC to fund its operations.



ACEIC Group

As of December 31, 2021 and 2020, ACEIC Group has short-term loans aggregating to nil and ₱4,635.0 million, respectively. These short-term bear fixed interest rates ranging from nil and 1.88% to 10.0% in 2021 and 2020, respectively.

AC Health Group

AC Health Group has outstanding loans payable totaling to ₱627.0 million which pertains to unsecured loans availed from local banks for working capital purposes. These are on a 90-day to 1-year term with interest rates ranging from 3.75% to 5% per annum.

Long-term debt consists of:

	2021	2020
	(In Thousands)	
The Parent Company:		
Bank loans - with fixed interest rates ranging from 2.3% to 6.0% per annum and floating interest rates based on applicable benchmark plus credit spread ranging from 0.45% to 0.70% with varying maturity dates up to 2030	₱39,802,131	₱40,884,551
Bonds	39,781,395	39,757,939
	₱79,583,526	80,642,490
Subsidiaries:		
Loans from banks and other institutions:		
Philippine peso - with interest rates ranging from 3.00% to 7.46% in 2021 and 1.90% to 9.00% in 2020	122,902,582	95,886,763
Foreign currency - with interest rates ranging from 1.67% to 4.23% in 2021 and 0.70% to 5.13% in 2020 (Note 23)	26,008,302	15,434,094
Bonds:		
Fixed for life notes	74,308,144	48,455,104
Green Bonds	38,998,524	36,880,885
Due 2021	—	13,996,408
Due 2022	22,608,179	22,608,179
Due 2023	9,980,787	14,943,504
Due 2024	2,978,436	17,944,498
Due 2025	23,065,980	21,130,603
Due 2026	15,896,222	15,896,222
Due 2027	7,942,687	7,942,687
Due 2028	9,916,583	9,916,583
Due 2031	2,977,789	—
Due 2033	1,986,794	1,986,730
Fixed Rate Corporate Notes (FXCNs)	4,650,000	5,650,000
	364,221,009	328,672,260
	443,804,535	409,314,750
Less current portion	31,493,713	36,514,381
	₱412,310,822	₱372,800,369



Reconciliation of carrying amount against nominal amount follows:

	2021	2020
	(In Thousands)	
Nominal amount	₱446,102,736	₱411,022,203
Unamortized discount	(2,298,201)	(1,707,453)
	₱443,804,535	₱409,314,750

The Parent Company

The Parent Company positions its deals across various currencies, maturities, and product types to provide utmost flexibility in its financing transactions.

Generally, the Parent Company's long-term loans are unsecured. Due to certain regulatory constraints in the local banking system regarding loans to directors, officers, stockholders and related interest, some of the Parent Company's credit facilities with a local bank are secured by shares of stock of a subsidiary with a fair value of ₱50.2 billion and ₱42.8 billion as of December 31, 2021 and 2020, respectively, in accordance with Bangko Sentral ng Pilipinas (BSP) regulations. All credit facilities of the Parent Company outside of this local bank are unsecured, and their respective credit agreements provide for this exception.

In August 2015, the Parent Company availed of a 7-year loan from a local bank amounting to ₱3.0 billion which bears fixed interest rate of 5.29% per annum. Principal repayments amounting to ₱30.0 million shall be made at the end of the third year until the sixth year and payment of remaining principal balance amounting to ₱2.9 billion at maturity date. In September 2020, the Parent Company and the local bank amended the existing agreement to lower the rate to 4.25%. As of December 31, 2021, the Parent Company has paid a total of ₱120.0 million, ₱30.0 million of which was paid in August 2021.

On February 13, 2020 and April 7, 2020, the Parent Company drew down ₱2.5 billion and ₱7.5 billion, respectively, both payable for two years, from the revolving term loan agreement dated December 2016. In August 2021, the Parent Company pre-paid in full the outstanding principal balance of the ₱2.5 billion drawdown and drew ₱2.5 billion with a tenor of 5 years. In October 2021, the Parent Company pre-paid in full the outstanding principal balance of the ₱7.5 billion drawdown and drew ₱7.5 billion with a tenor of 4 years.

In December 2016, the Parent Company entered into a term loan agreement amounting to ₱10.0 billion with an interest rate based on (i) the prevailing Benchmark Rate plus a certain spread or (ii) the 28-day BSP Deposit Facility Rate plus a certain spread, whichever is higher. The first drawdown of the loan amounted to ₱300.0 million in December 2017 with a quarterly repricing rate and a tenor of three years. In February and July 2018, the Parent Company drew an additional ₱2.5 billion for three years and ₱0.5 billion for four years, respectively. Both drawdowns were repriced quarterly similar to the terms of the initial drawdown. In 2019, the Parent Company pre-paid in full the outstanding principals of the facility. In November 2019, the Parent Company drew ₱10 billion from the facility and fully paid the principal and interest in December 2019.

In April 2018, the Parent Company signed an ₱11 billion fixed term loan facility with a local bank with a tenor of 8 years. The amount was fully drawn on April 30, 2018. The original terms of the loan stipulated a fixed interest rate of 6.00% for the first five years, which was based on the prevailing 5-year benchmark plus certain spread and will reprice at the prevailing 3-year benchmark plus a certain spread. On July 31, 2020, the Parent Company and the local bank agreed to revise the interest rate to 4.60% up to April 30, 2023 based on the applicable three (3) year PHP BVAL plus a corresponding spread. Also in April 2018, the Parent Company signed a ₱5.0 billion term loan facility with a local bank. The Parent Company drew down ₱2.0 billion with a tenor of 5 years with fixed interest rate of 6.0%, which was based on the prevailing PDST-R2 benchmark plus a spread of 65 basis points. In 2021 and 2020, the Parent Company paid three principal payments amounting to ₱153.8 million



each. In September 2021, the Parent Company signed a ₱5.0 billion loan facility with a fixed or floating rate option and a term of either 5 or 7 years. The facility remained undrawn as of December 31, 2021.

In January 2018, the Parent Company signed the following loan facilities with a local bank that are secured by collateral:

- a. ₱1.9 billion 10-year loan facility with an interest rate based on the prevailing benchmark rates plus a certain spread; and ₱1.9 Billion 10-year Loan Facility with ALI Shares as Collateral

In February 2018, the Parent Company drew down the full amount of the ₱1.9 billion loan with ALI shares as collateral. From 2018 to 2021, the Parent Company has paid fifteen quarterly scheduled principal repayments, each amounting to 1.25% of the drawdown.

- b. ₱10.0 billion 10-year loan facility with an interest rate based on the prevailing benchmark rates plus a certain spread.

In April 2018, the Parent Company drew ₱6.0 billion from its ₱10.0 billion 10-year loan facility secured by an assignment of AYCFL's deposits amounting to \$115.7 million. In 2018, the Parent Company made two principal payments of ₱75.0 million each, and pre-paid ₱4.0 billion in October 2018. In 2019, the Parent Company made one principal payment of ₱75.0 million and three principal payments of ₱12.5 million each, and pre-paid ₱812.5 million in January 2019. In 2020, the Parent Company made four principal payments which amounted to ₱12.5 million each.

In May 2018, the Parent Company drew down ₱0.5 billion from the same facility secured by an assignment of AYCFL's deposits amounting to \$9.6 million. The Parent Company made two principal payments worth ₱6.3 million each in 2018, and one principal payment of ₱6.3 million in 2019. The company pre-paid the remaining balance of ₱481.3 million in January 2019.

In January 2019, the Parent Company drew down the remaining ₱3.5 billion from the loan facility secured by an assignment of AYCFL's deposits amounting to \$67.2 million. The Parent Company paid four scheduled quarterly principal repayments amounting to 1.25% of the drawn amount each in 2019, 2020, and 2021. In April 2021, the Parent Company and the local bank amended the existing agreement to set the interest rate based on (i) the applicable BVAL rate plus a certain spread or (ii) the BSP Overnight Reverse Repurchase (RRP) Rate plus a certain spread, whichever is higher.

- c. 10.0 billion 10-year loan facility with an interest rate based on the BVAL rates plus a certain spread.

In October 2020, the Parent Company signed a ₱10.0 billion term loan agreement secured by ALI shares. The said facility has a tenor of ten (10) years with an interest rate based on the applicable BVAL rate plus a certain spread. In November and December 2020, the Parent Company drew ₱5.0 billion each for a total drawdown of ₱10.0 billion, both at a rate of 3.75%. Principal repayments amounting 1.25% of the total loan amount drawn shall be paid on the last day of each quarter after the one (1) year grace period has elapsed. The Parent Company paid one scheduled quarterly repayment amounting to 1.25% of the drawn amount on each of the drawdown in 2021.



Bonds

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term	Interest rate	Principal Amount (In thousands)	Carrying Value (In thousands)		Features
				2021	2020	
2011	10 years	6.80%	9,903,400	P=	P9,898,507	20% balance puttable on the 5th anniversary of the issue date; balance puttable on the 8th anniversary issue date
2012	15 years	6.875%	10,000,000	9,965,511	9,959,081	Callable from the 10th anniversary issue until every year thereafter until the 14th anniversary issue date
2016	7 years	3.92%	10,000,000	9,974,273	9,958,183	Callable from the 5.5th anniversary issue at call option price of 100.25%
2017	8 years	4.82%	10,000,000	9,955,177	9,942,168	Callable from the 6.5th anniversary issue at call option price of 100.25%
2021	3 years	3.03%	4,000,000	3,957,138	-	3-year no-call bond, fixed coupon Series A
2021	5 years	3.79%	6,000,000	5,929,296	-	5-year callable bond, fixed coupon Series B. Callable on the 12th to 15th interest payment date with call option price of 101.0% and callable on the 16th to 19th interest payment date with call option price of 100.5%.
				P39,781,395	P39,757,939	

The outstanding Peso bonds of the Parent Company have been rated "PRS Aaa" by PhilRatings.

Bond Redemption

On May 12, 2021, the Parent Company's P10 billion, 6.80% Fixed Rate Multiple Put Bonds Due 2021 (the "Bonds") with outstanding balance of P9,903.4 million (net of P96.6 million redeemed via Put Option exercised by Bondholders on May 12, 2019) was fully redeemed in accordance with the Prospectus and the Terms and Conditions of the Bonds annexed to the Trust Indenture dated May 2, 2011. The Bonds were redeemed by payment in cash of the redemption price set at 100% of the Issue Price plus all accrued and unpaid interest based on the coupon rate of 6.80% per annum. The payment was made through the Philippine Depository & Trust Corporation, the appointed registrar and paying agent for the Bonds.

Issuance of Fixed Rate Bonds

On March 9, 2021, the BOD of Parent Company approved the issuance of fixed rate bonds in the aggregate principal amount of up to P6.0 billion with an oversubscription option of up to an additional P4.0 billion, which constitute the first tranche of the Parent Company's P30 Billion shelf registration that had been approved by the BOD.

On March 30, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed public distribution and sale of debt securities with an aggregate principal amount of up to P30.0 Billion to be issued in one or more tranches (the "Debt Securities Program") under the shelf registration program of SEC. The first tranche under the Debt Securities Program, once approved, will be the proposed issuance of Fixed Rate Bonds in the aggregate principal amount of up to P6.0 Billion with an oversubscription option of up to an additional P4.0 Billion, consisting of Series A bonds due 2024 and Series B bonds due 2026.



On May 17, 2021, the Parent Company received the Order of Registration from the SEC covering the Parent Company's ₱30.0 Billion Debt Securities Program and the Certificate of Permit to Offer Securities for Sale of the first tranche (the "First Tranche") under the Debt Securities Program. The First Tranche has an aggregate principal amount of up to ₱10.0 billion with a base offer of up to ₱6.0 billion and an oversubscription option of up to an additional ₱4.0 billion. The First Tranche consists of 3.0260% Series A Bonds due 2024 and 3.7874% Series B Bonds due 2026, (the "Series A Bonds", together with the "Series B Bonds", collectively the "Bonds"). Interest on the Bonds will be payable quarterly. The minimum investment amount was set at ₱50,000.00 and in additional increments of ₱10,000.00, thereafter.

The Bonds were issued and listed at the PDEX on May 28, 2021. The proceeds were used to refinance select Philippine peso-denominated obligations and partially to finance capital expenditures.

The Notice of Completion of Offer was submitted pursuant to Section 8.1.1.6 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code and in compliance with the SEC's pre-effective letter dated May 11, 2021.

Bonds due 2021

In May 2019, the Parent Company paid ₱96.6 million on the ₱10.0 billion bonds issued in May 2011. On May 12, 2021, the Parent Company's ₱10.0 billion, 6.80% Fixed Rate Multiple Put Bonds Due 2021 (the "Bonds") with outstanding balance of ₱9.9 billion (net of ₱96.6 million redeemed via Put Option exercised by Bondholders on May 12, 2019) was fully redeemed in accordance with the Prospectus and the Terms and Conditions of the Bonds annexed to the Trust Indenture dated May 2, 2011. The Bonds were redeemed by payment in cash of the redemption price set at 100% of the Issue Price plus all accrued and unpaid interest based on the coupon rate of 6.80% per annum. The payment was made through the Philippine Depository & Trust Corporation, the appointed registrar and paying agent for the Bonds.

Bonds due 2025

On February 10, 2017, the Parent Company issued ₱10.0 billion, 4.82% bonds due in 2025. This pertains to the second and final tranche of the ₱20.0 billion fixed rate bonds program approved by the BOD on March 10, 2016.

The long-term debt of the Parent Company provide for certain restrictions and requirements with respect to maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Parent Company as of December 31, 2021 and 2020.

Interest accrued amounted to ₱3.6 billion in 2021 and 2020, respectively.

Subsidiaries

Foreign Currency Debt

IMI Group

IMI

The long-term debts of IMI aggregating to US\$149.7 million and US\$29.8 million as of December 31, 2021 and 2020, respectively, were obtained from Singapore-based and local banks with terms of three to five years, subject to fixed annual interest rates ranging from 3.5% to 3.8% in 2021 and 3.8% in 2020.

VTS and IMI CZ

VTS and IMI CZ have unsecured long-term loans with Japanese and Czech-based banks that are payable in regular monthly installments both with terms of five years. The VTS loan has interest rate of 1.67% while the CZ loan bears interest based on 1-month EURIBOR plus 0.9% but is not to exceed 15% per annum.



VTs and IMI CZ incurred interest expense on its long-term debt amounting to \$0.04 million, \$0.06 million and \$0.08 million in 2021, 2020 and 2019, respectively.

ALI Group

In November 2019, ALI executed and had simultaneously drawn a US\$125.0 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar LIBOR, repricedable quarterly. The proceeds were on lent to MCT to refinance its existing loans. The loan will mature on the fifth anniversary of the initial drawdown date.

As of December 31, 2021 and 2020, the remaining aggregate balance of US Dollar-denominated long-term loans amounted to ₱6,374.9 million and ₱6,002.9 million, respectively.

AC Industrial

The long-term foreign currency denominated debt pertaining to Unionbank of the Philippines amounted to US\$48.8 million (₱2.5 billion) and US\$ 39.6 million (₱1.9 billion) as of December 31, 2021 and December 31, 2020, respectively. These loans are unsecured and bear interest rate of 3.91% to 4.23% per annum in 2021 and 2020.

In 2021, long-term foreign currency denominated debt was availed from Bank of the Philippine Islands amounting to US\$ 25.0 million (₱1.3 billion) with interest rate of 3.95% per annum. US\$20.0 million (₱1.0 billion) of the loans from BPI is secured by continuing guarantee from AC Industrials (Singapore) PTE, LTD.

ACEIC

On September 25, 2020, ACEIC secured a 12-year term loan facility from BDO Unibank, Inc with maximum loanable amount of ₱10,000.00 million or its US dollar equivalent. On November 23, 2020 and on December 22, 2020 ACEIC made drawdowns from the loan facility amounting to US\$62.5 (₱3,015.6 million) and US\$37.5 million (₱1,802.3 million), respectively. ACEIC shall pay interest on the outstanding principal amount of the loan at the fixed rate of 4.04% and 4.03% per annum for the first five years term with duration of three (6) months commencing on the drawdown date. Interest shall then be repriced on the 5th anniversary from the drawdown date and will be fixed for the next 7 years until maturity.

As of the year ended December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to ₱4,760.6 million and ₱4,803.6 million, respectively.

On November 27, 2020, ACEIC secured a 12-year term loan facility from Bank of the Philippine Islands with maximum loanable amount of US\$60.00 million. On December 22, 2020 ACEIC made a US\$60.00 million (to ₱2,883.72 million) drawdowns from the loan facility. ACEIC shall pay interest on the outstanding principal amount of the loan at the fixed rate of 3.0% per annum for the first five years term with duration of three (3) months commencing on the drawdown date. Interest shall then be repriced on the 5th and 10th anniversary from the drawdown date.

As of the year ended December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to ₱2,861.3 million and ₱2,882.2 million, respectively.

Philippine Peso Debt

ALI Group

In August to September 2015, ALI assumed an aggregate of ₱15,526.9 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.7% per annum and terms ranging from 4.4 years to 10.5 years. As of December 31, 2021 and 2020, the remaining balance of the assumed long-term facilities amounted to ₱9,820.9 million and ₱11,592.5 million respectively.



In March 2017, ALI executed a ₱10,000.0 million long-term facility with a domestic bank, of which ALI had simultaneously drawn an initial ₱5,000.0 million. The loan carries a fixed interest rate of 4.949% per annum and a term of 10 years. The balance of facility of ₱5,000.0 million was drawn in April 2017. In March 2018, ALI executed a ₱5,000.0 million long-term facility with a domestic bank, of which ALI had simultaneously drawn the entire facility amount. In March and April 2019, ALI executed and drew in two tranches a ₱13.0 billion long-term facility. The loan which was drawn at ₱6.5 billion each, carries a fixed interest rate at 6.2720% and 6.3070%, respectively. In June 2020, the ALI prepaid the remaining ₱12,662.0 million.

In January 2020, ALI executed and availed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.500% p.a. for the initial 5 years. In December 2020, ALI also executed and availed a ₱10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.000% p.a. for the first 7 years. Both loans will be repriced on the 5th and 7th anniversary, respectively.

In July 2021, ALI executed a ₱10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.88% for the initial 5 years. In August 2021, ALI executed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.88% p.a. for the initial 5 years. Another ₱4,900.0 million 6-year long-term facility was drawn in October 2021 at an interest rate of 3.78% p.a. for the initial 3 years. In October 2021, ALI executed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.75% p.a. for the initial 5 years. In November 2021, ALI also executed a ₱5,000.0 million 9-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.95% p.a. for the initial 5 years. In December 2021, ALI executed a ₱7,100.0 million 8-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.87% p.a. for the initial 3 years.

In relation to the merger of ALI and its Constituent Corporations (see Note 23), ALI assumed an aggregate of ₱914.1 million long-term facilities of AiO from a domestic bank.

As of December 31, 2021 and 2020, remaining balance of the Peso-denominated long-term loans amounted to ₱76,814.6 million and ₱41,230.0 million, respectively.

Subsidiaries

The Philippine Peso bank loans include ALI subsidiaries' loans that will mature on various dates up to 2028. Peso-denominated loans bear various floating interest rates at 60 bps to 80 bps spread over the benchmark 91-day PDST-R2 or and fixed interest rates ranging from 3.89% to 6.49% per annum. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) 95.0% or part of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or (ii) the BSP Overnight Rate plus a spread of 20 bps to 75 bps per annum or (iii) the average of the Bangko Sentral ng Pilipinas Overnight Deposit Rate and Term Deposit Facility with a term closed to the 90-day interest period. The total outstanding balance of the subsidiaries' loans as of December 31, 2021 and 2020 amounted to ₱21,720.5 million and ₱24,154.5 million loans, respectively.

ACEIC Group

On February 20, 2017, ACEIC entered into an unsecured loan agreement with The Philippine American Life and General Insurance Company (PHILAM) amounting to ₱1,000.0 million payable in 10 years from the date of drawdown with 6% fixed interest per annum. The loan shall be paid in one lump sum at the maturity date.

As of the years ended December 31, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to ₱1,000.0 million, for both years.

On August 3, 2020, the ACEIC prepaid ₱2,250.0 million of its long-term debt with Philippine National Bank (PNB) in accordance with the terms of the loan agreement. This is part of the ₱7,000.00 million loan with PNB, payable seven (7) years from initial drawdown date. ACEIC pays interest on the outstanding principal amount of the loan at the fixed rate of 5.75% per annum, with duration of three



(3) months commencing on the drawdown date. The prepayments made were on initial drawdowns of ₱250.00 million on May 3, 2017 and ₱2,000.0 million on May 25, 2018.

As of December 31, 2021, the outstanding balance of the interest-bearing loan amounted to nil.

On June 22, 2017, ACEIC entered into unsecured loan agreement with Security Bank Corporation (SBC) amounting to ₱5,000.0 million. The tenor of the loan agreement is seven (7) years from the initial drawdown date, with grace period on principal payments of up to three (3) years, reckoned from the initial drawdown. Repayment of the principal amount shall be 16% of the loan from the 12th to 27th interest period and the remaining 84% of the loan will be paid lump sum on the 28th interest period. On June 29, 2017, ACEIC drew ₱100.0 million from then facility. ACEIC shall pay interest on the outstanding principal amount of the loan at the fixed rate of 5.75% per annum for all drawdowns from June 2017 to June 2018. For all drawdowns beyond June 2018, the interest rate shall be based on the relevant Peso Benchmark Rate PDST-R2 rate, plus credit spread, the fixed interest rate shall have a floor rate of 5.0%. ACEIC undrawn loan amounts to ₱4,900.0 million.

Subsidiaries

SLTEC

On April 29, 2012, SLTEC entered into an loan and security agreement with BDO, SBC and Rizal Banking Corporation to re-leverage and optimize the capital structure of SLTEC and fund its general corporate requirements. Tenor of the loan is 12 years from initial drawdown date. Interest rate ranges from 4.44% to 7.11%. The principal amount shall be paid on a semi-annual after the 3rd anniversary. SLTEC may, at its option, prepay the loan in part or in full on any interest payment date together with accrued interest thereon up to and including the date immediately preceding the date of prepayment, subject to prepayment penalties ranging from 0.00% to 1.25%. As of December 31, 2021 and 2020, the outstanding balance of these loans is ₱10.6 billion and ₱10.6 billion, respectively.

SLTEC has entered into a New Omnibus Loan and Security Agreement with syndicated banks to finance the construction of its power plants. In compliance with the New Omnibus Agreement, SLTEC is required to maintain funds in cash flow waterfall accounts to cover for the expected repayments of loan principal and interest classified under restricted cash under the audited consolidated statement of financial position. The waterfall accounts are under the possession, dominion and control of a security trustee. Restricted cash accounts balance as of December 31, 2021 and 2020 amounted to ₱56.98 million and ₱212.24 million, respectively.

On May 7, 2021, SLTEC made a partial Cash Sweep Prepayment of ₱500.0 million on its loan. The remaining principal balance of the loan is ₱9,950.0 million.

SLTEC's land, buildings, machineries and other equipment, with a carrying amount of ₱14,339.7 million and ₱14,734.83 million as at December 31, 2021 and 2020, respectively were pledged as a collateral under the real estate and chattel mortgage to secure the New Omnibus Loan and Security Agreement.

SLTEC has complied with its contractual agreements and is compliant with the loan covenants as at reporting dates. As compliance with the debt covenants, SLTEC should maintain a minimum DSCR of 1.1 times, and a maximum Net debt to Equity ratio of 3 times.



ACEN

Description	Interest Rate (per annum)	Terms	2021	2020
₱5.00 billion loan with BDO	5.0505% per annum for the first 5 years; repricing for the succeeding 5 years is the average of the 5-year BVAL, three (3) days prior to Repricing Date, plus a margin of ninety basis points per annum (0.90%), with the sum divided by 0.95	Availed on November 15, 2019, payable in semi-annual installment within 10 years with final repayment on November 14, 2029; contains negative pledge	₱4,859.63	₱4,901.88
₱7.00 billion loan with China Banking Corporation (CBC)	Fixed at a rate of 5.00% per annum which shall be payable at the end of the interest period of six months	Availed on July 10, 2020. First and second drawdown amounting to ₱500 million and ₱1,000 million have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18th) month from the initial drawdown date; contains negative pledge.	1,490.09	1,489.12
₱4.50 billion loan with DBP	Availed as a Floating Rate Tranche, on each Interest Payment Date at a rate equivalent to the average of the 6-month BVAL for the 3 Banking Days immediately preceding the Drawdown Date at end of each applicable Interest Period thereafter plus a margin of 1.00% per annum or the BSP Lending Rate plus a margin of 0.25% per annum, whichever is higher	Availed on March 30, 2021, payable in semi-annual installments within 10 years to commence 6 months after Drawdown Date with final repayment on March 30, 2031; contains negative pledge.	799.38	—
₱1.18 billion loan with SBC	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months	Availed on January 11, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 11, 2029; contains negative pledge	766.51	837.64
₱1.18 billion loan with DBP	Fixed at a rate of 6.00% for the first 7 years; repricing for the last 5.5 years, the higher of 5-year PDST-R2 plus a spread of 1.625% or 6.25%	Availed on January 10, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 10, 2029; contains negative pledge	—	837.68

(Forward)



Description	Interest Rate (per annum)	Terms	2021	2020
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment on April 10, 2024; contains negative pledge	₱—	₱—
Carrying value (net of unamortized debt issue costs and embedded derivatives of ₱52.94 million and ₱62.03 million as of December 31, 2021 and 2020, respectively)			₱7,915.61	₱8,066.32

ACEN was in compliance with loan covenants as at December 31, 2021. In 2020, ACEN was able to obtain waivers of compliance for the Debt Service Coverage Ratio, Debt-to-Equity ratio and Current ratio covenants on its legacy loans with SBC (₱1.18 billion) and DBP (₱1.18 billion) as required by the terms of each respective Lender's loan agreement. The waivers granted on the covenants for ACEN are valid until the next succeeding testing date. These ratios are computed based on the annual consolidated audited financial statements of ACEN, and the next testing date will be sometime during the first quarter of 2022, based on the 2021 consolidated audited financial statements. ACEN classified the loans amounting to ₱1,680.0 million as noncurrent as at December 31, 2021 and 2020, respectively.

Guimaras Wind Corporation

On December 18, 2013, Guimaras Wind entered into a ₱4.30 billion Term Loan Facility with Security Bank Corporation ("SBC") and Development Bank of the Philippines ("DBP"). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 272 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing ("PDST-F") plus a spread of 1.625% or a minimum interest rate of 6.25% for the first 10 years, to be repriced at higher of existing rate or 5-year PDST-F plus a spread of 1.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or a minimum interest rate of 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Group did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines ("BAP") dated January 8, 2015. Subsequently, the parties agreed to adopt PDST-R2 and BVAL rates as benchmark rate in lieu of PDST-F rates. BVAL rates were adopted starting October 29, 2018 when the Bankers Association of the Philippines (BAP) launched its new set of reference rates to replace the current set of PDST Reference Rates, PDST-R1 and PDST-R2.

The loan facility also contains a prepayment provision which allows Guimaras Wind to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of (a) the principal amount of the loan being prepaid, or (b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corporation ("PDEX") Market Page, Reuters and the PDS website (www.pds.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, Guimaras Wind is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.



The loan facility is secured by Guimaras Wind's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying values amounting to ₱3,702.4 million and ₱3,909.7 million as at December 31, 2021 and 2020, respectively (see Note 9). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, ACEN entered into a Pledge Agreement covering the subscriptions of stocks of ACEN and its nominees.

Guimaras Wind was in compliance with the loan covenants as at December 31, 2021 and 2020. The compliance with the debt covenants is assessed annually by the lenders. Guimaras Wind continues to take necessary measures to ensure compliance with loan covenants.

As of the year ended December 31, 2021 and December 31, 2020, outstanding balance of the interest-bearing loan amounted to ₱1,280.5 million and ₱1,410.3 million, respectively.

On May 6, 2014, NPDC signed a ₱500.0 million long-term loan facility with Union Bank of the Philippines (UBP) to partly fund the Phase III expansion project of NPDC and refinance a loan. The 6.25% interest rate on the loan from UBP is fixed for the entire 10-year repayment period.

On May 29, 2020, NPDC entered into a long-term loan facility with BPI amounted to ₱2,300.0 million. The proceeds of the loan were used to fully repay the senior loans of Northwind amounting to ₱2,467.18 million. The payments shall be made in twenty-four (24) sculpted semi-annual amortizations set forth in the agreement. The interest rate is fixed for the initial period of ten (10) years to be repriced after the 10th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher.

The loan facility contains a prepayment provision which allows the NPDC to make optional prepayment, wholly or partially, any time during the term of the loan. The amount payable to BPI shall be the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any additional taxes, including additional GRT as a result of such prepayment, and prepayment penalty as indicated in the loan agreement.

The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

The loan facility is secured by NPDC's Land and Wind Turbine Generator, Building and Machinery and Equipment account under "Property, plant and equipment" with a carrying amount of ₱2,263.2 million and ₱2,279.6 million as at December 31, 2021 and 2020, respectively.

NPDC closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration. NPDC is required to maintain a minimum historical DSCR of 1.05 times.

As at December 31, 2021 and 2020, NPDC is compliant with its loan covenants.

As of December 31, 2021 and 2020, the outstanding balance of NPDC's loans amounted to ₱2.0 billion and ₱2.23 billion, respectively.

AAC

On October 6, 2017, AAC secured a 5-year loan from a local bank amounting to ₱450.0 million, bearing interest of 5.4% per annum. Proceeds were used to partially finance the acquisition of the new aircraft. Principal repayments amounting to ₱22.5 million are due every end of the quarter from the loan avallment date.

AC Health

AC Health Group has an outstanding 10-year unsecured loans from BPI and Land Bank of the Philippines amounting to ₱1.6 billion and ₱1.2 billion with interest rate of 5.5% and 5% per annum, respectively. These loans are intended for the capital expenditure and working capital requirements of the AC Heath Group.



Bonds

ALI Group

Below is the summary of the outstanding Peso bonds issued by the ALI Parent Company:

Year Issued	Term (Years)	Interest rate	Principal Amount (In thousands)	Carrying Value (In thousands)		Features
				2021	2020	
2012	10.0	6.0000%	5,650,000	₱5,650,000	₱5,650,000	Fixed rate bond due 2022
2013	20.0	6.0000%	2,000,000	1,986,794	1,986,730	Fixed rate bond due 2033
2013	10.5	5.0000%	15,000,000	-	14,966,062	Fixed rate bond due 2024
2014	11.0	5.6250%	8,000,000	-	7,968,512	Fixed rate bond due 2025
2015	7.0	4.5000%	7,000,000	6,987,688	6,978,851	Fixed rate bond due 2022
2016	9.5	4.7500%	7,000,000	6,969,407	6,962,422	Fixed rate bond due 2025
2016	10.0	4.8500%	8,000,000	7,961,918	7,954,090	Fixed rate bond due 2026
2016	7.0	3.8915%	7,000,000	6,980,787	6,971,017	Fixed rate bond due 2023
2017	10.0	5.2624%	7,000,000	6,979,065	6,975,753	Fixed rate bond due 2027
2018	10.0	5.9203%	10,000,000	9,916,583	9,906,061	Fixed rate bond due 2028
2018	5.0	7.0239%	8,000,000	-	7,962,717	Fixed rate bond due 2023
2019	7.0	6.3690%	8,000,000	7,934,304	7,921,653	Fixed rate bond due 2026
2019	5.0	4.7580%	3,000,000	2,978,436	2,971,294	Fixed rate bond due 2024
2019	2.0	4.2463%	9,000,000	-	8,781,628	Fixed rate bond due 2021
2019	7.25	4.9899%	1,000,000	963,622	957,658	Fixed rate bond due 2027
2020	2.0	3.0000%	10,000,000	9,970,491	9,911,380	Fixed rate bond due 2022
2020	5.0	3.8620%	6,250,000	6,192,684	6,178,810	Fixed rate bond due 2025
2021	4.0	3.6262%	10,000,000	9,903,889	-	Fixed rate bond due 2025
2021	10.0	4.0800%	3,000,000	2,977,789	-	Fixed rate bond due 2031
Total				₱94,353,457	₱121,004,638	

Philippine Rating Services Corporation (PhilRatings) rated the ALI's 2020 bond issue "PRS Aaa" with a stable outlook, and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds.

On August 17, 2021, the ALI's BOD approved the raising of an additional ₱9.0 billion in debt capital through the issuance of retail bonds and/or corporate notes for listing on the PDEX, and/or bilateral term loans. This brought ALI's total approval to ₱50 billion primarily to refinance outstanding loans and partially finance general corporate requirements.

On February 20, 2020, the ALI's BOD approved the raising of up to ₱10 billion through the issuance of retail bonds under its current Shelf Registration program and will be listed on the PDEX to partially finance general corporate requirements and to refinance maturing loans.

On May 26, 2020, the BOD during its meeting approved the raising of up to ₱19 billion through the issuance of retail bonds and/or corporate notes for listing on PDEX, and/or bilateral term loans for the purpose of refinancing outstanding loans.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021

In June 2014, CHI issued a total of ₱5.0 billion bonds due 2021 at a fixed rate equivalent to 5.32% per annum. The Bonds were fully paid upon its maturity on June 7, 2021.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022

In April 2012, ALI issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. ALI fully paid the ₱9,350.0 million bond in April 2019.



Philippine Peso 5-year and 10-year and 6-month Bonds due 2024

In July 2013, ALI issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. In 2019, ALI issued a total of ₱3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.758% p.a. under its new shelf registration. PhilRatings assigned a PRS AAA rating on the bonds. In July 2021, the ALI fully redeemed the ₱15,000.0 million bonds due 2024 when it exercised the call option on the 8th anniversary of the bonds with a call option price of 101.00% of the outstanding principal amount.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033

In October 2013, ALI issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to ALI's capacity to repay its debt obligations.

Philippine Peso 11-year Bonds due 2025

In April 2014, ALI issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. In April 2021, the ALI fully redeemed the bonds when it exercised the call option on the 7th anniversary of the bonds with a call option price of 102.00% of the outstanding principal amount

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022 In April 2015, ALI issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a.

Philippine Peso 9-year and 6-month Bonds due 2025

In April 2016, ALI issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under ALI's ₱50,000.0 million Debt Securities Program registered in the SEC.

Philippine Peso 7-year and 10-year Bonds due 2026

In March 2016, ALI issued a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under ALI's ₱50,000 million Debt Securities Program registered in the SEC. In May 2019, ALI issued an ₱8,000.0 million fixed rate bond due 2026 at a rate equivalent to 6.369% p.a. The Bonds represent the first tranche of debt securities issued under the Parent Company's new ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEX.

Philippine Peso 3-Year Homestarter Bond due 2019 and 7-year Bonds due 2023

In October 2016, ALI issued a total of ₱10,000.0 million bonds, broken down into a ₱3,000.0 million Homestarter bond due 2019 at a fixed rate of 3.0% per annum and a ₱7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.8915% per annum. The Bonds represent the first tranche of Homestarter Bonds series and the third tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEX. In 2017, ALI paid ₱9.1 million as an early down payment of the outstanding 3-Year Homestarter Bond. In 2018, ALI paid ₱8.4 million as an early down payment of the outstanding 3-Year Homestarter Bond. ALI fully paid the remaining Homestarter Bond on October 21 and December 23, 2019.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027

In May 2017, ALI issued a ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.2624% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under the ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEX. In November 2019, ALI issued a ₱1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.9899 % p.a. This was the third tranche of bonds issued under the new ₱50,000.0 million shelf registration of ALI.



Philippine Peso 10-year Bonds due 2028

In April 2018, ALI issued a ₱10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.9203% per annum and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.9203% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC and listed in the PDEX.

Philippine Peso 5-year Bonds due 2023

In October 2018, ALI issued a ₱8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.0239% per annum. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In October 2021, the Bonds were fully redeemed by the ALI Group when it exercised the call option on the 3rd anniversary the bonds with a call option price of 101.00% of the outstanding principal amount.

Philippine Peso 2-year Bonds due 2021 and 2022

On November 6, 2019, ALI issued a ₱9.0 billion fixed rate bond due 2021 at a rate equivalent to 4.2463% per annum. The Bonds form part of the third tranche of debt securities issued under ALI's new ₱50.0 billion Debt Securities Program registered with the SEC and listed on PDEX.

In June 2020, ALI issued a ₱10.0 billion, 2-year fixed-rate bond due 2022 with a coupon rate of 3.00% per annum. This was the fourth tranche of bonds issued under the 2019 ₱50.0 billion shelf registration of ALI.

Philippine Peso 5-year Bonds due 2025

In September 2020, ALI issued a ₱6.25 billion fixed rate bond due 2025 at a rate equivalent to 3.862% per annum. The Bonds represent the fifth tranche of the new ₱50.0 billion debt securities program approved by the SEC in May 2019.

Philippine Peso 4-year Bonds due 2025

In May 2021, ALI issued a ₱10,000.0 million fixed rate bond due 2025 at a rate equivalent to 3.6262% p.a. The Bonds represent the sixth tranche of ALI's new ₱50,000.0 million Debt Securities

Program approved by the SEC in May 2019.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026

In January 2011, ALI issued ₱10,000.0 million FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.6% to 7.5% per annum depending on the term of the notes. ALI prepaid ₱1,950.0 million of notes due in 2016 on January 19, 2013. In 2014, ALI paid ₱43.0 million for the matured portion of the loan. In January 2016, ALI paid ₱3,750 million notes for the matured portion of the loan. In 2017, ALI paid ₱43.0 million for the matured portion of the loan. In 2018, ALI prepaid ₱3,234.0 million notes and paid ₱10.0 million for the matured portion of the loan. In January 2021, ALI paid in full the remaining balance of ₱950.0 million.

Philippine Peso 10-year Note due 2023

In December 2012, ALI executed a ₱5.0 billion committed Corporate Note facility with a local bank, of which an initial ₱3.5 billion was drawn in 2012. The balance of ₱1.5 billion was subsequently drawn in January 2013. The Corporate Notes currently bear a fixed interest rate of 4.50% and will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In 2015, the ₱50.0 million was prepaid by ALI. In 2017, another ₱50.0 million was prepaid by ALI. In 2017, ALI paid another ₱50.0 million. In 2018, another ₱50.0 million was prepaid by ALI. In 2019, ALI paid another amortization in the amount of ₱50.0 million. As of December 31, 2021 and 2020, the remaining balance of the note amounted to ₱4,650.0 million and ₱4,700.0 million, respectively.



Philippine Peso 10-year Bonds due 2031

In October 2021, the ALI issued a total of 3,000.0 million bonds due 2031 at a fixed rate equivalent to 4.08% p.a. The Bonds is composed of 2,750.0 million from the first tranche of debt securities issued under the ALI's new 50,000.0 million Debt Securities Program approved by the SEC and listed on the PDEX in October 2021 while 250.0 million represent the seventh tranche of debt securities issued under the existing 50,000.0 million Debt Securities Program

Subsidiaries

Philippine Peso 3.0 Billion Fixed Rate Bonds due 2023

In December 2021, AREIT, Inc. issued a total of ₱3,000.0 million bonds due 2023 at a fixed rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under its ₱15,000.0 million Debt Securities Program registered with the SEC and listed on the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result to non-compliance of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary 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 Group as of December 31, 2021 and 2020.

Green Bonds

ACEIC Group

ACEFIL - Medium Term Note (MTN) Programme

On January 16, 2019, ACEFIL established its MTN Programme with an aggregate amount of US\$1,000.00 million (₱48,470.0 million). The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including eligible green projects and other use of proceeds under ACEFIL's green bond framework.

On November 17, 2020, ACEFIL amended the MTN Programme to increase the aggregate amount to US\$2,000.0 million (₱94,960.0 million) and allow the issuance of senior undated guaranteed notes under the MTN Programme.

As of December 31, 2021, ACEFIL has issued US\$770.0 million (₱37,321.9 million) notes under the MTN Programme.

ACEFIL - Senior guaranteed notes due 2024 and 2029 and Senior undated guaranteed notes under the MTN Programme

On January 29, 2019, ACEFIL issued US\$225.0 million (₱10,905.8 million) senior guaranteed notes due 2024 guaranteed by ACEIC with a fixed coupon of 4.75%. The notes were priced at 99.45.

On February 12, 2019, ACEFIL issued US\$75.0 million (₱3,635.3 million) senior guaranteed notes to International Finance Corporation (IFC) due 2024 with a fixed coupon of 4.75%. The notes were priced at 99.998. On the same date, ACEFIL issued US\$110.00 million (₱5,331.7 million) senior guaranteed notes due 2029 with a fixed coupon of 5.25%. The notes were priced at 99.616. Both notes due 2024 and 2029 were issued under the MTN Programme and are guaranteed by ACEIC.

On the July 9, 2020, ACEFIL issued US\$60.00 million (₱2,908.2 million) senior guaranteed notes due 2029 guaranteed by ACEIC with a fixed coupon of 4.75%. The notes were priced at 104.75.

On November 25, 2020, ACEFIL issued US\$300.0 million (₱14,541.0 million) senior undated guaranteed notes with a fixed coupon of 5.10% for life. The notes were priced at par. The new issue was used to finance the successful tender of US\$186.9 million (₱9,058.5 million) of the US\$400.0 million (₱19,388.0 million) 5.65% senior undated guaranteed notes at a tender price of 104.



At any time, ACEFIL may on any one or more occasions redeem all or part of the “notes under the MTN Programme”, by giving notice, at redemption price equal to 100% of the principal amount of the “notes under the MTN Programme” redeemed, plus the applicable premium (as defined in the respective pricing supplements) as of date, and accrued and unpaid interest, if any, to the date of redemption, subject to the rights of the person in whose name the “notes under the MTN Programme” is registered on the relevant record date to receive interest due on the relevant interest payment date.

The unsecured US dollar-denominated senior Green Bonds requires ACEN to comply with certain covenants including among others, limitations on the incurrence or guarantee of additional indebtedness, creation or incurrence of certain liens, creation or permission of any restrictions on the payment of dividends to ACEN by certain of the ACEN's subsidiaries, entering into unrelated businesses or engagement in certain activities, and limitations on the consolidation, merging or selling of all or substantially all of ACEN's properties and assets with other entities if the ACEN's Parent Company is not the surviving entity. The incurrence test for additional debt requires ACEN to maintain a Net Debt to Total Equity ratio not exceeding 2.5 to 1.0. These were complied with by ACEN as of December 31, 2021 and 2020.

ACEN Finance - Medium Term Note (MTN) Programme

On August 31, 2021, ACEN Finance Limited (ACEN Finance) established its MTN Programme with an aggregate amount of US\$1,500.0 million. The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including but not limited to, working capital, funding investment activities, development of projects, refinancing and/or repayment of indebtedness and on-lending activities within the ACEN Group. Notes to be issued out of the MTN Programme designated as Green Bonds may be allocated towards the financing and/or refinancing of Eligible Green Projects in accordance with certain prescribed eligibility criteria described under ACEN's Green Bond Framework.

The Notes to be issued by ACEN Finance under its medium-term note program; may be distributed by way of private or public placement; and will be listed on the Singapore Exchange Securities Trading platform (SGX-ST).

As of December 31, 2021, ACEN Finance has issued US\$400.0 million senior guaranteed undated notes under the MTN Programme.

ACEN Finance - Senior guaranteed undated FFL notes (Notes) under the MTN Programme

On September 8, 2021, ACEN Finance issued US\$400.0 million senior undated fixed-for-life (non-deferrable) Notes guaranteed by ACEN with a fixed coupon of 4% for life, with no step-up and no reset, priced at par. An amount equal to the net proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework. On September 9, 2021, the Notes were listed with the SGX-ST.

The unsecured US dollar-denominated senior Green Bonds requires ACEIC Group to comply with certain covenants including among others, limitations on the incurrence or guarantee of additional indebtedness, creation or incurrence of certain liens, creation or permission of any restrictions on the payment of dividends to ACEIC Group by certain of ACEIC Group's subsidiaries, entering into unrelated businesses or engagement in certain activities, and limitations on the consolidation, merging or selling of all or substantially all of ACEIC Group's properties and assets with other entities if ACEIC is not the surviving entity. The incurrence test for additional debt requires the Group to maintain a Net Debt to Total Equity ratio not exceeding 2.5 to 1.0. These were complied with by ACEIC Group as of December 31, 2021 and 2020.



FFL Bonds

ACEIC Group

Senior undated guaranteed notes

On November 27, 2019, ACEFIL issued US\$400.00 million (P20,297.60 million) senior undated guaranteed notes guaranteed by ACEIC with a fixed coupon of 5.65% for life. The notes were priced at par.

Redemption at the option of the issuer

ACEFIL may redeem the senior undated guaranteed notes (in whole but not in part) on December 4, 2022 or any interest payment date thereafter at the principal amount plus any accrued but unpaid interest (the "Redemption Price").

On December 2, 2020, ACEFIL successfully completed the tender of US\$186.89 million 5.65% senior undated guaranteed notes. As of December 31, 2020, only US\$213.11 million of the notes remain outstanding. Total expense related to prepayment amounted to US\$9.54 million (P458.62 million) covering finance charges and amortization of remaining bond interest costs presented under interest expense and other financing charges in the statements of comprehensive income.

On November 17, 2021 and December 2021, ACEFIL successfully completed the tender of the remaining notes amounting to US\$213.11 million. Total expense related to prepayment amounted to US\$9.86 million (P494.77 million) covering finance charges and amortization of remaining bond interest costs presented under interest expense and other financing charges in the statements of comprehensive income.

ACEN Finance - Medium Term Note (MTN) Programme

On August 31, 2021, ACEN Finance Limited (ACEN Finance) established its MTN Programme with an aggregate amount of US\$1,500.0 million. The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including but not limited to, working capital, funding investment activities, development of projects, refinancing and/or repayment of indebtedness and on-lending activities within the ACEN Group. Notes to be issued out of the MTN Programme designated as Green Bonds may be allocated towards the financing and/or refinancing of Eligible Green Projects in accordance with certain prescribed eligibility criteria described under ACEN's Green Bond Framework.

The Notes to be issued by ACEN Finance under its medium-term note program; may be distributed by way of private or public placement; and will be listed on the Singapore Exchange Securities Trading platform (SGX-ST).

As of December 31, 2021, ACEN Finance has issued US\$400.0 million senior guaranteed undated notes under the MTN Programme.

ACEN Finance - Senior guaranteed undated FFL notes (Notes) under the MTN Programme

On September 8, 2021, ACEN Finance issued US\$400.0 million senior undated fixed-for-life (non-deferrable) Notes guaranteed by ACEN with a fixed coupon of 4% for life, with no step-up and no reset, priced at par. An amount equal to the net proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework. On September 9, 2021, the Notes were listed with the SGX-ST.

For as long as the Notes remain outstanding, ACEN Finance and ACEN are required to comply with certain covenants including the creation and permission to subsist only the liens created in respect of the limited recourse project financing of any project company. These were complied with by the Group as of December 31, 2021.



AYCFL

2017 AYCFL US\$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (Fixed For Life)

On September 7, 2017, the Parent Company announced that AYCFL had successfully set the terms of a US dollar-denominated fixed-for-life senior perpetual issuance at an aggregate principal amount of US\$400 million (₱20,171.9 million) with an annual coupon of 5.125% for life with no reset and step-up. The issuer, AYCFL, may redeem the Notes in whole but not in part on September 13, 2022 (first redemption date) or any interest payment date falling after the first redemption date at 100% of the principal amount of the Notes plus any accrued but unpaid interest. The Parent Company unconditionally guarantees the due and punctual payment of this note if, for any reason AYCFL does not make timely payment of the amount due.

On September 2021, the aggregate principal amount of US\$100 million of this 5.125% Undated Notes was paid and the aggregate amount of US\$300 million remained outstanding after payment.

2019 AYCFL US\$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (Fixed For Life)

On October 23, 2019, the Parent Company announced that AYCFL had successfully priced a similar US dollar denominated fixed-for-life senior perpetual issuance at an aggregate principal amount of US\$400 million (₱20,118.9 million) with an annual coupon of 4.85% for life with no reset and step-up. The issuer, AYCFL, may redeem the Notes in whole but not in part on October 30, 2024 (first redemption date) or any interest payment date falling after the first redemption date at 100% of the principal amount of the Notes plus any accrued but unpaid interest. The Parent Company unconditionally guarantees the due and punctual payment of this note if, for any reason AYCFL does not make timely payment of the amount due.

In September 2021, the aggregate principal amount of US\$35 million of this 4.85% Undated Notes was paid and the aggregate amount of US\$365 million remained outstanding after payment.

2021 AYCFL US\$400 Million Senior Fixed-for-Life Perpetual Notes (the Notes)

On September 16, 2021, the Parent Company announced that it had successfully set the terms for a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance. The Notes have an aggregate principal amount of US\$400 million with a fixed coupon of 3.90% for life, with no step-up and no reset, payable semi-annually. The Notes was be issued by AYCFL (the Issuer) and unconditionally and irrevocably guaranteed by the Parent Company. The Notes were priced at par with a re-offer yield of 3.90%, which represents a 40 basis points compression from the initial price guidance of 4.30%. The final order book was over US\$1.75 billion (4.4x oversubscribed), supported by a wide range of high-quality investors. The transaction was settled on September 23, 2021.

The net proceeds from the Notes were used to refinance the Issuer's outstanding US dollar-denominated guaranteed undated notes including, among others, the US\$100 million in aggregate principal amount of its 5.125% Undated Notes and US\$35 million in aggregate principal amount of its 4.85% Undated Notes. Aggregate amounts of US\$300 million and US\$365 million, respectively, remained outstanding after payment.

AYCFL Social Bond

On November 11, 2021, AYCFL signed a 10-year Social Bond through private placement by the International Finance Corporation ("IFC") amounting to \$100 million (the "Social Bond"), which will be used for the sustainable and resilient growth and capacity building of the Group's healthcare arm, AC Health. The Social Bond will be unconditionally and irrevocably guaranteed by the Parent Company.

The transaction was settled on January 14, 2022 at a rate of 2.993%. Sustainalytics was engaged to provide a second party opinion on the Ayala Health Social Bond Framework which aligns with the Social Bond Principles and Social Loans Principles published by the International Capital Market Association.



The loan agreements on long-term debt of the Parent Company and certain subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of December 31, 2021 and 2020. The Parent Company aims to maintain for its debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYCF.

Compliance with debt covenants

The loan agreement on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of December 31, 2021 and 2020.

The Parent Company, these covenants include, among others, certain ratios like:

- Debt to equity ratio not to exceed 3:1
- Net debt to tangible networth ratio not to exceed 3:1
- Current ratio of not lower than 0.5:1

Interest expense on short-term debt amounted to ₱1,471.9 million, ₱2,247.2 million and ₱1,307.6 million in 2021, 2020 and 2019, respectively. Interest expense on long-term debt amounted to ₱19,156.2 million, ₱19,579.6 million and ₱18,971.4 million, respectively (see Note 22).

Interest capitalized by subsidiaries amounted to ₱560.1 million and ₱40.1 million in 2021 and 2020, respectively. The capitalization rates are 2.14% to 3.44% in 2021 and 2.63% to 5.18% in 2020.

19. Other Noncurrent Liabilities

This account consists of the following:

	2021	2020
	(In Thousands)	
Deposits and deferred credits	₱39,966,087	₱34,074,201
Liability for purchased land	12,835,369	2,111,165
Retentions payable	4,233,457	6,056,667
Contractors payable	3,167,215	5,711,140
Deferred output VAT	1,084,600	1,524,810
Subscriptions payable	293,247	498,567
Others	2,921,599	2,799,100
	₱64,501,574	₱52,775,650

Deposits and deferred credits

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three (3) to six (6) months' rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. This also includes customers' deposits which consist of excess of collections over the recognized receivables based on percentage of completion. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by ALI Group for the processing of title are charged to this account.



Liability for purchased land

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

Retentions payable

Retentions payable pertains to amount withheld by the Group from the contractors' billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in projects requiring rework.

Contractors payable

Contractors payable represents accrued costs incurred for property development that are not yet billed.

Liability for purchased land

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

Deferred output VAT

Deferred output VAT pertains to output VAT on receivables for which sales recognition has been deferred based on sales collection threshold for VAT recognition purposes.

Subscriptions payable

Subscription payable mainly pertains to ALLHC's investment in Cyber Bay.

As of December 31, 2021 and 2020, ALI Group has unpaid subscription in Cyber Bay amounting to ₱481.7 million. The investment in Cyber Bay under "Financial Assets through FVOCI" amounted to ₱472.0 million as of December 31, 2020 (nil in 2021) (see Note 15).

Others

Others include nontrade payables. In 2021, this includes provision for unresolved claims and assessment, accrued and warranty payables and installment payable. In 2021 and 2020, this includes collections by ACEIC Group in relation to Philippine Electricity Market Corporation Multilateral Agreement amounting to ₱1,123.5 million.

20. Equity

The details of the Parent Company's preferred and common shares follow:

	Preferred A shares		Preferred B shares		Preferred C shares		Voting Preferred shares		Common shares	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
(In Thousands, except par value per share)										
Authorized shares	12,000	12,000	58,000	58,000	40,000	40,000	200,000	200,000	900,000	900,000
Par value per share	₱100	₱100	₱100	₱100	₱100	₱100	₱1	₱1	₱50	₱50
Issued and subscribed shares	12,000	12,000	58,000	58,000	-	-	200,000	200,000	633,898	633,160
Outstanding shares										
At beginning of year	-	-	50,000	50,000	-	-	200,000	200,000	627,415	626,683
Issued shares on exercise of share options	-	-	-	-	-	-	-	-	179	543
Subscribed shares	-	-	-	-	-	-	-	-	559	1,455
Treasury shares										
Acquisition	-	-	-	-	-	-	-	-	(8,450)	(1,266)
At end of year	-	-	50,000	50,000	-	-	200,000	200,000	619,703	627,415



Preferred Shares

Preferred A shares

On November 11, 2008, the Parent Company filed a primary offer in the Philippines of its Preferred A shares at an offer price of ₱500.00 per share to be listed and traded on the PSE.

Preferred A shares are cumulative, nonvoting and redeemable at the option of the Parent Company under such terms that the BOD may approve at the time of the issuance of shares and with a dividend rate of 8.88% per annum. The Preferred A shares may be redeemed at the option of the Parent Company starting on the fifth year.

On June 28, 2013, the BOD approved and authorized the exercise of call option on Preferred A shares effective November 25, 2013 based on the dividend rate of 8.88% per annum. The redemption of Preferred A shares is presented as part of treasury stock.

Preferred B shares

Details of Preferred B shares as follows (*in Thousands, except par value per share*).

	Series 1		Series 2		Total	
Preferred B	2021	2020	2021	2020	2021	2020
Par value per share	₱100	₱100	₱100	₱100		
Issued and subscribed shares	28,000	28,000	30,000	30,000	58,000	58,000
Treasury shares	8,000	8,000	-	-	8,000	8,000
Outstanding shares	20,000	20,000	30,000	30,000	50,000	50,000
Cost of treasury shares	₱800,000	₱800,000	₱-	₱-	₱800,000	₱800,000

In July 2006, the Parent Company filed a primary offer in the Philippines of its Preferred B shares at an offer price of ₱100.00 per share to be listed and traded in the PSE. The Preferred B shares are cumulative, nonvoting and redeemable at the option of the Parent Company under such terms that the BOD may approve at the time of the issuance of shares and with dividend rate of 9.4578% per annum. The Preferred B shares may be redeemed at the option of the Parent Company starting on the fifth year from the date of issuance.

On March 14, 2011, the BOD approved and authorized the exercise of call option on its Preferred B shares effective July 21, 2011 based on the dividend rate of 9.5% per annum. The redemption of Preferred B shares is presented as part of treasury stock.

Preferred B Series 1 shares

In September 2013, the BOD approved and authorized the re-issuance and offering of 20.0 million Preferred B Series 1 shares from its 58.0 million authorized Class "B" preferred treasury share capital for an aggregate amount of ₱10.0 billion. The Preferred B Series 1 shares were offered at a price of ₱500.00 per share with a fixed quarterly dividend rate of 5.25% per annum.

Preferred B Series 2 shares

On August 22, 2014, the BOD approved and authorized the re-issuance and offering of ₱27.0 million Preferred B Series 2 shares, which comprise a second and separate series from the Parent Company's outstanding 5.25% Preferred B Series 1 shares, from its 58.0 million authorized Class "B" preferred treasury share capital, for an aggregate amount of ₱13.5 billion. The Preferred B Series 2 shares were offered at a price of ₱500.00 per share with a dividend rate of 5.575%. The reissuance resulted to the Parent Company recognizing ₱10.7 billion additional paid-in capital net of direct expenses from re-issuance.



On September 13, 2019, the BOD approved and authorized the redemption by the Parent Company of its 27.0 million Preferred B Series 2 shares representing all of the outstanding Preferred B Series 2 shares at the redemption price equal to the issue price plus all accrued and unpaid dividends until November 5, 2019 based on the dividend rate of 5.575% per annum. On the same date, the BOD also approved and authorized the re-issuance and offering of 30.0 million Preferred B Series 2 shares for an offer price of ₱500.00 per share. The re-issuance resulted to the Parent Company recognizing ₱1.1 billion additional paid-in capital net of direct expenses from re-issuance.

On January 15, 2020, the Parent Company has fully utilized the proceeds from the reissuance of Preferred B Series 2 shares.

Preferred C shares

Preferred C shares are cumulative, non-participating, non-voting and redeemable at the option of the Parent Company under such terms that the BOD may approve at the time of the issuance of the shares.

Voting Preferred shares

On March 15, 2010, the BOD approved the reclassification of 4.0 million unissued common shares with a par value of ₱50.00 per share into 200.0 million Voting Preferred shares with a par value of ₱1.00 per share and the amendment of the Parent Company's amended Articles of Incorporation to reflect the reclassification of the unissued common shares into new Voting Preferred shares.

On April 16, 2010, the Parent Company's stockholders ratified the reclassification.

On April 22, 2010, the SEC approved the amendments to the Parent Company's Articles of Incorporation embodying the reclassification of the unissued common shares to new Voting Preferred shares.

The Voting Preferred shares are cumulative, voting and redeemable at the option of the Parent Company under such terms that the BOD of the Parent Company may approve at the time of the issuance of shares and with a dividend rate of 5.3% per annum. In 2016, the dividend rate was repriced to 3.6950%.

On July 16, 2019, the BOD approved the re-pricing of dividend rate to 5.7730% per annum, which is equal to the 3-year PHP BVAL reference rate as of May 20, 2019 and will be applicable until May 20, 2022, the next re-pricing date.

The Additional Paid-in Capital pertaining to preferred shares amounted to ₱19,696.7 million as of December 31, 2021 and 2020, respectively.

Common Shares

The common shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least 60% of the outstanding capital stock shall be owned by citizens of the Philippines or by partnerships, associations or corporations with 60% of the voting stock or voting power of which is owned and controlled by citizens of the Philippines.

On July 21, 2018, the Parent Company issued 8.8 million common shares at a price of ₱916.0 per share to an institutional investor and paid documentary stamp taxes and listing fee amounting to ₱4.4 million and ₱9.0 million, respectively.

On May 22, 2019, the Parent Company purchased its 3,805,644 common shares at ₱838.0 from Mitsubishi Corporation ("Mitsubishi") pursuant to the share buyback program approved by the BOD on September 10, 2007, June 2, 2010, and December 10, 2010.



On December 11, 2019, the Parent Company also purchased its 613,000 common shares at ₱815.00 pursuant to the share buyback program of ₱10.0 billion worth of shares approved by the BOD on December 5, 2019. The Company purchased another 60,000 common shares at ₱752.00 on December 16, 2019.

On various dates in 2020, the Parent Company, pursuant to the share buyback program of ₱10.0 billion worth of shares approved by the BOD on December 5, 2019, purchased 1,266,210 of its common shares with prices ranging from ₱408 to ₱755 per share.

In 2021, 179,442 common shares were issued under ESOP (see Note 28).

Treasury shares

The Parent Company, pursuant to the share buyback program of ₱10.0 billion worth of shares approved by the BOD on December 5, 2019, purchased on various dates in 2020 a total of 1,266,210 of its common shares with a price ranging from ₱408 to ₱755 per share.

On May 26, 2021, the Parent Company, pursuant to the share buyback program of ₱10.0 billion worth of shares approved by the BOD on December 5, 2019, purchased 8,450,000 of its common shares at ₱683.12 per share.

As of December 31, 2021 and 2020, treasury shares include 12.0 million Preferred A shares amounting ₱1.2 billion and 8.0 million Preferred B shares amounting to ₱800 million or a total amount of ₱2 billion. Treasury shares also includes 14.2 million common shares and 5.7 million common shares amounting to ₱10.3 billion and ₱4.6 billion, as of December 31, 2021 and 2020, respectively.

The details of the Parent Company's paid-in capital follow:

2021

	Preferred Stock - A	Preferred Stock - B	Voting Preferred	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital	Treasury Stock
(In Thousands)									
At beginning of year	₱1,200,000	₱5,800,000	₱200,000	₱31,437,119	₱220,891	₱48,997,024	(₱2,241,090)	₱85,613,944	(₱6,605,153)
Exercise/Cancellation/ Subscription of ESOP/ ESOWN	-	-	-	8,972	27,942	546,717	(415,241)	168,390	-
Issuance of shares upon full payment of subscription	-	-	-	4,679	(4,679)	-	-	-	-
Collection of subscription receivable	-	-	-	-	-	-	293,193	293,193	-
Buyback of common Shares	-	-	-	-	-	-	-	-	(5,777,364)
At end of year	₱1,200,000	₱5,800,000	₱200,000	₱31,450,770	₱244,154	₱49,543,741	(₱2,363,138)	₱86,075,527	(₱12,382,517)

2020

	Preferred Stock - A	Preferred Stock - B	Voting Preferred	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital	Treasury Stock
(In Thousands)									
At beginning of year	₱1,200,000	₱5,800,000	₱200,000	₱31,341,660	₱216,453	₱47,837,246	(₱1,719,134)	₱84,876,225	(₱5,737,896)
Redemption of Preferred B Series 2 shares	-	-	-	-	-	(920)	-	(920)	-
Exercise/Cancellation/ Subscription of ESOP/ ESOWN	-	-	-	27,125	72,772	1,160,698	(685,100)	575,495	-
Issuance of shares upon full payment of subscription	-	-	-	68,334	(68,334)	-	-	-	-
Collection of subscription receivable	-	-	-	-	-	-	163,144	163,144	-
Buyback of common shares	-	-	-	-	-	-	-	-	(867,257)
At end of year	₱1,200,000	₱5,800,000	₱200,000	₱31,437,119	₱220,891	₱48,997,024	(₱2,241,090)	₱85,613,944	(₱6,605,153)



In accordance with Revised SRC Rule 68, Annex 68-K, below is a summary of the Parent Company's track record of registration of securities.

	Number of shares registered	Issue/offer price	Date of approval	2021	2020
				Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	200,000,000*	₱1.00 par value**; ₱4.21 issue price	July 1976	6,363	6,408
Preferred A shares***	12,000,000	₱100 par value; ₱500 issue price	November 2008	-	-
Preferred B shares	8,000,000	₱100 par value; ₱500 issue price	July 2006	-	-
Preferred B shares- Series 1****	20,000,000	₱100 par value; ₱500 issue price	October 2013	18	18
Preferred B shares- Series 2*****	30,000,000	₱100 par value; ₱500 issue price	November 2019	5	3
	27,000,000	₱100 par value; ₱500 issue price	October 2014	-	-
Voting preferred shares	200,000,000	₱1 par value; ₱1 issue price	March 2010	1,401	1,040

*Initial number of registered shares only.

**Par value now is ₱50.00

***The Preferred A shares were fully redeemed on November 25, 2013.

****The Preferred B- Series 1 shares were re-issued on November 15, 2013.

*****The Preferred B-Series 2 share were re-issued on November 29, 2019.

Retained Earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates and joint ventures accounted for under the equity method amounting to ₱187,047.3 million, ₱195,017.2 million and ₱184,615.5 million as of December 31, 2021, 2020 and 2019, respectively, which are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

In accordance with the Revised SRC Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to ₱41.6 billion and ₱45.9 billion, respectively.

Dividends consist of the following:

	Per Share			Amount (In Thousands)		
	2021	2020	2019	2021	2020	2019
Dividends to common shares declared and paid during the year:						
1 st Declaration	3.46	3.46	4.15	₱2,144,146	₱2,170,720	₱2,603,486
2 nd Declaration	3.46	3.46	4.15	2,144,175	2,170,857	2,600,986
Dividends paid* to equity preferred shares during the year						
Preferred Shares B - Series 1	5.2500%	5.2500%	5.2500%	525,000	525,000	525,000
Preferred Shares B - Series 2	4.8214%	4.8214%	5.5750%	723,210	723,210	752,625
Voting Preferred Shares	5.7730%	5.7730%	3.6950%	11,546	11,546	7,390

*On December 1, 2018 and 2017, the Parent Company declared dividends to equity preferred shares for recordholders of 2019 and 2018, respectively. On December 5, 2019, the Parent Company declared dividends to equity preferred shares for recordholders of 2020.

As of December 31, 2021 and 2020, the Parent Company has dividend payable to common and preferred stockholders amounting to ₱2.0 billion.



Capital Management

The primary objective of the Parent Company's capital management policy is to ensure that it maintains a robust statement of financial position in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2021, 2020 and 2019. However, due to COVID-19 pandemic, the Parent Company lowered its dividend per share in 2021 and 2020.

The Parent Company monitors capital using a gearing ratio of debt to equity and net debt to equity. Debt consists of short-term and long-term debt of the Group. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and restricted cash of the Group. The Parent Company considers as capital the total equity.

	2021	2020
	(In Thousands)	
Short-term debt	₱34,712,039	₱32,439,507
Long-term debt	443,804,535	409,314,750
Total debt	478,516,574	441,754,257
Less:		
Cash and cash equivalents	90,483,909	88,653,956
Short-term investments	930,938	822,410
Restricted cash	137,801	4,083,252
Net debt	₱386,963,926	₱348,194,639
Total equity	₱565,312,768	₱542,422,111
Debt to equity	84.6%	81.4%
Net debt to equity	68.5%	64.2%

The loan agreements on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of December 31, 2021 and 2020.

Due to certain constraints in the local banking system regarding loans to directors, officers, stockholders and related interest (DOSRI), some of the Parent Company's credit facilities with a local bank are secured by US dollar cash in accordance with BSP regulations. Any outstanding loan amount, as well as the interest, all other charges and expenses, shall be secured by an assignment of US dollar denominated deposits (thru its financing arm AYCFL, see Note 19) and remain on holdout by the bank for as long as the loan is outstanding at a collateral to loan ratio of 1:1, which the borrower agrees to maintain at all times.



The Parent Company also monitors capital through return-to-common equity ratio. For this ratio, the Parent Company considers as capital the average amount of equity with the exclusion of accounts pertaining to preferred shares and the non-controlling interests.

	2021	2020
	(In Thousands)	
Net income attributable to owners of the parent	₱27,774,183	₱17,141,714
Less:		
Dividends to equity preferred shares	1,259,756	1,259,756
	₱26,514,427	₱15,881,958
Average common equity attributable to owners of the parent	₱326,058,994	₱309,096,335
Return to common equity	8.1%	5.1%

21. Revenue

This account consists of

	2021	2020	2019
	(In Thousands)		
Revenue from contracts with customers			
Real estate	₱76,929,851	₱67,370,349	₱125,843,303
Manufacturing services	63,844,107	56,464,998	64,677,782
Power generation	34,244,614	27,688,935	12,485,966
Automotive	19,304,816	14,639,376	24,117,194
Others	12,670,139	8,989,906	6,095,214
	206,993,527	175,153,564	233,219,459
Rental income (Note 30)	18,598,399	18,468,871	31,687,075
Sales of goods and rendering of services	225,591,926	193,622,435	264,906,534
Share in net profits of associates and joint ventures	23,384,709	17,615,774	22,344,352
Interest income from real estate	6,801,012	8,602,775	7,890,972
Dividend income	70,921	83,575	122,903
Total	₱255,848,568	₱219,924,559	₱295,264,761

Disaggregated revenue information

Set out below is the disaggregation of revenue from contracts with customers of the material subsidiaries of the Group:

ALI Group

Revenue from contracts with customers of ALI Group consists of:

	2021	2020	2019
	(In Thousands)		
Revenue from contracts with customers			
Residential development	₱75,939,410	₱66,461,372	₱117,580,972
Construction	2,491,712	3,152,324	3,076,549
Hotels and resorts	2,833,075	3,388,190	7,624,159
Other	2,466,666	2,971,238	5,452,595
Total Revenue	₱83,730,863	₱75,973,124	₱133,734,275



ALI Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types. ALI Group's disaggregation of each source of revenue from contracts with customers are presented below:

Residential development

	2021	2020	2019
	(In Thousands)		
Type of Product			
Middle Income Housing	₱24,101,342	₱21,239,940	₱36,023,183
Condominium	23,733,274	18,231,721	29,326,334
Coremid	19,789,427	20,445,730	34,813,550
Lot only	8,315,367	6,543,981	17,417,905
	₱75,939,410	₱66,461,372	₱117,580,972

All of ALI Group's real estate sales from residential development are revenue from contracts with customers recognized over time.

Hotels and resorts

	2021	2020	2019
	(In thousands)		
Type of Services			
Rooms	₱1,581,171	₱1,775,632	₱4,447,172
Food and beverage	816,326	731,812	2,090,953
Other operated department	222,113	607,322	761,712
Others	213,465	273,424	324,322
	₱2,833,075	₱3,388,190	₱7,624,159

ALI Group's revenue from hotels and resorts is attributed to the operations from the development and management of hotels and resorts/serviced apartments. In view of the continuing community quarantines and restricted travel, the Group's hotels and resorts segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported under this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment.

ALI Group's construction revenue pertains to transactions with related parties such as joint ventures and associates.

Others are mainly composed of property management facilities of ALI Group and third party projects.

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, ALI Group 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 with 50% discount in their common are usage expenses.



Set-out below is ALI's reconciliation of contracts with customers with the amounts disclosed in segment information (in millions):

2021						
	Residential Development	International	Construction	Hotels and Resorts	Property Management and Others	Total
Sales to external customers	₱65,260	₱3,878	₱2,492	₱2,833	₱2,467	₱76,930
Interest	6,801	-	-	-	-	6,801
Total revenue from contracts with customers	₱72,061	₱3,878	₱2,492	₱2,833	₱2,467	₱83,731
2020						
	Residential Development	International	Construction	Hotels and Resorts	Property Management and Others	Total
Sales to external customers	₱53,014	₱4,845	₱3,152	₱3,388	₱2,971	₱67,370
Interest	8,603	-	-	-	-	8,603
Total revenue from contracts with customers	₱61,617	₱4,845	₱3,152	₱3,388	₱2,971	₱75,973
2019						
	Residential Development	International	Construction	Hotels and Resorts	Property Management and Others	Total
Sales to external customer	₱102,981	₱6,709	₱3,076	₱7,624	₱5,453	₱125,843
Interest	7,891	-	-	-	-	7,891
Total revenue from contracts with customers	₱110,872	₱6,709	₱3,076	₱7,624	₱5,453	₱133,734

Information about ALI Group's performance obligations are summarized below:

Real estate sales

ALI Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii) service lot and house, and (ii) condominium unit and ALI Group concluded that there is one performance obligation in each of these contracts. ALI Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, ALI Group provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by ALI Group as a quality assurance warranty and not treated as a separate performance obligation.



Hotels and resorts

Rooms revenue from hotel and resort operations is recognized when services are rendered. Revenue from banquets and other special events are recognized when events take place.

Construction

Revenue from fixed price construction contracts are recognized overtime using the milestone-based revenue recognition which is in reference to output method. The output method is determined based on the start and completion of a task of the contract inclusive of uninstalled goods and materials delivered to the site.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Within one year	₱45,005,469	₱31,535,337
More than one year	55,587,158	62,554,555
	₱100,592,627	₱94,089,892

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of ALI Group's real estate projects. ALI Group's condominium units are completed within three to five years, from start of construction while serviced lots and serviced house and lots are expected to be completed within two to three years from start of development.

IMI Group

The following table presents revenue of IMI Group by type:

	2021	2020	2019
	(In thousands)		
Manufacturing of goods	₱63,649,338	₱56,049,563	₱64,399,776
Non-recurring engineering services	194,769	415,435	278,006
Revenue from contracts with customers	₱63,844,107	₱56,464,998	₱64,677,782

Translated using the average exchange rate for the year (US\$1: ₱49.11 in 2021, \$1: ₱49.71 in 2020 and US\$1: ₱51.73 in 2019).

The following table presents revenue per market segment:

	2021	2020	2019
	(In Thousands)		
Automotive	₱31,814,498	₱25,903,508	₱31,011,316
Industrial	20,317,923	17,670,828	16,310,945
Consumer	4,035,705	4,254,932	6,584,754
Aerospace/defense	2,668,285	3,227,736	4,907,555
Telecommunication	2,570,684	2,352,235	2,737,345
Medical	1,414,381	1,889,747	826,599
Multiple market/others	1,022,631	1,166,012	2,299,268
	₱63,844,107	₱56,464,998	₱64,677,782

Translated using the average exchange rate for the year (US\$1: ₱49.11 in 2021, \$1: ₱49.71 in 2020, and US\$1: ₱51.73 in 2019).

Revenues from contracts with customers of IMI Group are also further disaggregated by customer's nationality and timing of revenue recognition, as management believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.



The following table presents revenues from external customers based on customer's nationality:

	2021	2020	2019
		(In thousands)	
Europe	₱38,060,938	₱33,568,842	₱40,217,151
America	9,081,783	8,194,316	10,201,108
Japan	3,827,332	3,659,838	3,701,438
Rest of Asia / Others	12,874,054	11,042,002	10,558,085
	₱63,844,107	₱56,464,998	₱64,677,782

Translated using the average exchange rate for the year (US\$1:₱49.11 in 2021, \$1: ₱49.71 in 2020 and US\$1:₱51.73 in 2019)

ACEIC Group

Tariff Adjustment

On May 26, 2020, the ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index and foreign exchange variations through Discounted Cash Flows Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020.

Renewable energy subsidiaries under the FIT system which include Guimaras Wind Corporation, MSEI, SACASOL, and Northwind, accrued the retroactive revenue adjustment amounting to ₱791.48 million. This will be recovered for a period of five (5) years.

NLR, a renewable energy producer and a joint venture through PhilWind, also accrued the retroactive revenue adjustment amounting to ₱635.5 million.

On February 19, 2021, ERC clarified on its letter to National Transmission Corporation ("TransCo"), the Administrator of the FIT system, by specifying the timing and manner of billing the FIT Adjustment. Actual recovery of arrears shall be for a period of five (5) years. Billing for January 2016 generation period shall start in December 2020, and payment schedule shall start in January 2021, following the five-year recovery period. Moreover, pending the approval of the 2021 FIT-All rate and adjustment of FIT rates, the original approved FIT rates shall be used for the 2021 generation billing. Revenue in 2021 was based on 2020 approved FIT rates in the absence of the 2021 FIT rates. Currently, there's a moratorium on interest on the delayed payments. It is expected that the adjusted FIT rates applicable for 2021 will also be collected in arrears in accordance with the approval of the ERC.

22. Costs and Expenses and Other Income (Charges)

Details of cost of goods sold and services included in the consolidated statements of income are as follows:

	2021	2020	2019
		(In Thousands)	
Cost of goods sold (Notes 8 and 31)	₱57,151,237	₱47,124,213	₱83,020,810
Cost of services:			
Cost of inventory	45,470,479	38,223,827	46,009,171
Cost of power operations	21,438,762	12,548,784	5,790,293
Personnel costs (Notes 27 and 31)	12,873,428	12,278,229	12,589,037
Depreciation and amortization (Notes 11, 12, 13 and 14)	12,720,464	13,039,779	12,143,989
Taxes and licenses	4,177,641	4,579,508	4,076,513

(Forward)



	2021	2020	2019
		(In Thousands)	
Rental, utilities and supplies	₱4,121,244	₱2,439,092	₱6,007,394
Professional fees, management fees and commissions	4,071,552	4,231,365	9,399,302
Repairs and maintenance	3,912,603	2,781,668	3,334,893
Hotels and resorts operations	2,655,626	2,718,449	3,001,616
Contract labor	2,065,895	1,636,858	1,687,412
Transportation and travel	797,695	612,392	1,049,462
Insurance	772,294	723,718	570,397
Others	3,665,847	1,243,467	1,302,969
	118,743,530	97,057,136	106,962,448
Costs of goods sold and services	₱175,894,767	₱144,181,349	₱189,983,258

Cost of sales includes, among others, the cost of real estate inventories amounting to ₱38.8 billion, ₱32.9 billion and ₱59.3 billion in 2021, 2020 and 2019, respectively; electronics goods amounting to ₱46 billion, ₱38.2 billion and ₱45.0 billion in 2021, 2020 and 2019, respectively; and cost of vehicles, automotive parts and accessories amounting to ₱15.1 billion, ₱11.7 billion and ₱19.6 billion in 2021, 2020 and 2019, respectively.

“Others” include various costs such as communication, dues and fees and miscellaneous overhead, among others.

General and administrative expenses included in the consolidated statements of income are as follows:

	2021	2020	2019
		(In Thousands)	
Personnel costs (Notes 27 and 31)	₱11,611,913	₱12,901,657	₱15,179,174
Taxes and licenses	3,631,870	2,912,164	2,079,132
Provision for impairment/losses on:			
Investments in associates and joint ventures (Note 10)	1,162,526	1,802,179	839,419
Receivables (Note 7)	777,290	867,287	671,601
Intangible and other assets (Notes 14 and 23)	726,054	651,262	805,233
Property, plant and equipment (Note 12)	234,568	623,884	4,493
Inventories (Note 8)	170,759	144,326	236,644
Investment properties (Note 11)	-	225,208	-
Depreciation and amortization (Notes 11, 12, 13 and 14)	2,709,689	3,315,515	2,882,734
Professional fees	2,406,691	2,887,595	2,525,381
Contract labor	919,915	1,029,917	1,472,599
Repairs and maintenance	913,346	703,723	764,658
Advertising and promotions	810,543	827,362	973,506
Insurance	547,725	424,393	245,152
Dues and fees	511,315	301,904	349,681
Postal and communication	501,263	348,504	432,702
Transportation and travel	395,975	484,413	895,350
Donations and contributions	371,497	489,688	227,812
Supplies	326,021	249,382	244,714
Research and development	114,331	207,649	45,069
Rental and utilities	123,698	419,127	605,863
Entertainment, amusement and recreation	83,344	75,699	140,979
Write-down of inventories (Note 9)	2,227	-	111,216
Others	1,248,926	433,291	379,703
	₱30,301,486	₱32,326,129	₱32,112,815



“Others” include various expenses such as plant relocation costs, management fees, marketing, collection charges, sales commission, bank service charge, periodicals and miscellaneous operating expenses.

Depreciation and amortization expense included in the consolidated statements of income follows:

	2021	2020	2019
	(In Thousands)		
Included in:			
Cost of sales and services	₱12,720,464	₱13,039,779	₱12,143,989
General and administrative expenses	2,709,689	3,315,515	2,882,734
	₱15,430,153	₱16,355,294	₱15,026,723

Personnel costs included in the consolidated statements of income follow:

	2021	2020	2019
	(In Thousands)		
Included in:			
Cost of sales and services	₱12,873,428	₱12,278,229	₱12,589,037
General and administrative expenses	11,611,913	12,901,657	15,179,174
	₱24,485,341	₱25,179,886	₱27,768,211

Other income consists of:

	2021	2020	2019
	(In Thousands)		
Gain on sale of investments (Notes 2, 10 and 23)	₱4,324,125	₱201,660	₱24,696,571
Excess of share in fair value of net assets over the cost of investment (Note 24)	4,067,109	—	—
Revenue from management contracts	822,311	466,293	909,212
Remeasurement gain (loss) on previously held interest (Note 23)	809,003	—	2,020,662
Dilution gain in associates (Note 10)	563,449	397,400	—
Mark-to-market gain on financial assets at FVTPL (Notes 9 and 33)	542,006	887,682	528,011
Foreign exchange gain (loss) (Note 32)	440,258	(52,310)	(258,223)
Collateral income on automotive sales	306,816	413,962	438,967
Insurance claim	162,924	87,921	633,935
Gain on sale of other assets	117,226	113,844	192,202
Recoveries of account written off (Note 7)	30,184	23,597	3,038
Others	2,936,270	3,585,757	3,124,115
	₱15,121,681	₱6,125,806	₱32,288,490

In 2019, “Gain on sale of investments” includes net gain on ACEIC’s sale of AA Thermal amounting to ₱23.6 billion and gain on merger of AEI and iPeople amounting to ₱865.2 million (see Note 2).

“Others” mainly pertain to income derived from ancillary services, other activities rendered for the customers not in the normal course of business and miscellaneous income of consolidated subsidiaries. In 2021, this includes ₱265.0 million net gain on lease extinguishment, ₱196.2 million gain on earned out liability of APV, ₱192.5 million mark-to-market gain on call and put option, ₱104.0 million reversal of provision for impairment of vehicles, \$1.6 million (₱78.6 million) gain on reversal of put option, reversal of excess accruals of ₱442.9 million, property damage claims of ACEN entities



amounting to ₱161.9 million, and guarantee fee income of \$5.2 million (₱254.4 million). In 2020, this includes mark-to-market gain on derivative instruments amounting to ₱802.6 million, liquidated damages amounting to ₱509.0 million, reversal of provision for impairment of property, plant and equipment amounting to ₱374.3 million, gain from pre-terminated derivative contracts amounting to ₱238.4 million, miscellaneous income amounting to ₱208.2 million, mark-to-market gain on call and put option amounting to ₱189.6 million, government subsidy amounting to ₱170.0 million, financing income amounting to ₱139.1 million, fee from advisory service amounting to ₱121.8 million, and guarantee fee income amounting to ₱108.7 million. In 2019, this includes gain on reversal of put option amounting to \$3.5 million (₱178.0 million) (see Note 17), gain on reversal of contingent consideration amounting to \$3.7 million (₱193.0 million) and liquidated damages amounting to ₱1,157.0 million

Interest income consists of:

	2021	2020	2019
Interest income on:			
Cash and cash equivalents	₱294,903	₱760,592	₱497,891
Short-term investments	375,722	388,836	1,175,225
Receivables, financial assets at amortized cost and other current assets	4,406,110	1,955,598	1,673,286
Others	1,112	78,797	5,906
	₱5,077,847	₱3,183,823	₱3,352,308

Interest and other financing charges consist of:

	2021	2020	2019
		(In Thousands)	
Interest expense on:			
Long-term debt (Note 18)	₱19,156,173	₱19,579,599	₱18,971,380
Short-term debt (Note 18)	1,471,949	2,247,210	1,307,581
Accretion of lease liabilities (Note 30)	1,795,636	1,714,322	1,202,425
Amortization of discount on long-term debt	530,231	608,881	249,819
Others	4,135,935	3,864,186	678,321
	₱27,089,924	₱28,014,198	₱22,409,526

“Others” include, among others, various charges, such as pretermination costs, bond offering fees, and credit card charges. Pre-termination costs include fees paid upon prepayment of long-term facility and/or borrowings by the ACEIC Group in 2021 and by the ALI and ACEIC Group in 2020. Others also include ALI Group’s loss on sale of residential receivables without recourse amounting to ₱2,089.8 million in 2021 and ₱2,064.0 million in 2020 (see Note 7).

23. Business Combinations and Transactions with Non-controlling Interests

2021 Acquisitions

Mercado General Hospital, Inc. (MGHI)

AC Health, through its wholly owned subsidiary Healthway, has executed agreements to acquire a 68.6% economic interest in MGHI through:

- (1) purchase of 27,681,693 common shares and 311,106 preferred shares from White Knight, equivalent to 66.97% of the outstanding capital stock of MGHI, and
- (2) purchase of 8,437,842 common shares from certain individuals, (collectively, “Mercado Group”), which is equivalent to 1.67% of the outstanding capital stock of MGHI.



Furthermore, Healthway subscribed to 38,250,000 cumulative, redeemable, and non-participating preferred shares from MGHI. MGHI is in the process of increasing its authorized capital stock for the issuance of these preferred shares.

In February 2021, the sale by White Knight to Healthway was completed. The sale allowed ALI to redeploy capital and focus on its core businesses and provided AC Health with a network of general hospitals. As of December 31, 2021, post-sale of White Knight and Mercado Group, Healthway has 68.64% economic interests in MGHI.

The transactions mentioned above resulted to fair value of corresponding net assets in the amount of ₱1.6 billion which was paid by Healthway as of June 26, 2021.

From the date of acquisition, Healthway's share in MGHI's revenue and net income amounted to ₱2.8 billion and ₱0.3 billion, respectively.

The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follow (amounts in thousands):

Assets	
Cash	₱232,413
Receivables	600,543
Inventories	95,555
Other current assets	65,607
Property, plant and equipment	1,636,639
Tradename	1,084,787
Right of use asset	1,003,413
Investment in stocks	21,424
Other noncurrent assets	58,762
	<u>4,799,143</u>
Liabilities	
Accounts payables	1,266,724
Lease liability - current	377,806
Other current liability	39,070
Deferred tax liability	308,788
Long term debt	810,786
Lease liability – noncurrent	1,241,869
Other noncurrent liabilities	61,616
	<u>4,106,659</u>
Net Assets	<u>₱692,484</u>
Cost of Acquisition	₱1,577,379
Less: Share in the fair value of net assets acquired	475,339
Goodwill	<u>₱1,102,040</u>
Noncontrolling interest	<u>₱217,145</u>
Cash consideration	₱1,577,379
Less: Cash acquired from the subsidiary	232,413
Net cash flow (included in cash flows from investing)	<u>₱1,344,966</u>

The fair value of the receivables approximates their carrying amounts.

Healthway has identified goodwill and trademark amounting to ₱1,102.0 million and ₱1,084.8 million, respectively, as intangible assets recognized as part of the assets acquired in a business combination.



The transaction is treated as a normal business combination at AC Health level but accounted as a step-up acquisition at AC Group. The Group's fair value of previously held interest on MGHI amounted to ₱1.0 billion. The gain on remeasurement of previously held interest recognized as part of the other income in the consolidated statements of income amounted to ₱809.0 million.

Acquisition of Germaneers GmbH

On May 21, 2021, VIA acquired Germaneers, a high-tech engineering company focusing on automotive system integration and user interfaces. Germaneers has provided solutions for a range of well-known high-end original equipment manufacturers (OEMs).

Germaneers is known for creating innovative and state-of-the-art digital car interiors to achieve the next level of customer experience through human machine interfaces (HMI), sensor and camera solutions.

The purchase price allocation for the acquisition of Germaneers has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The provisional goodwill recognized on the acquisition can be attributed to its years of knowledge and experience of market requirements, system-level design, and innovative technologies in the automotive sector.

2020 Acquisitions

San Carlos Solar Energy, Inc (SACASOL)

On December 2, 2019, ACEN signed a share purchase agreement with PINAI Investors, collectively made up of Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System, for the acquisition of PINAI's 96% ownership interest in SACASOL. ACEN received the PCC approval for the transaction on February 13, 2020.

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in SACASOL and payment of the purchase price in the amount of ₱2,981.9 million by Giga Ace 2, Inc were completed. Subsequently, purchase price was adjusted to ₱3,088.1 million based on the provisions of the share price agreement. Prior to the step acquisition, ACEIC Group has 4% interest in SACASOL. ACEN acquired 96% interest in SACASOL resulting to 100% ownership interest.

Prior to the step acquisition, ACEIC Group has 4% interest in SACASOL.

Giga Ace 2 is ACEN's wholly owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in SACASOL.

The transaction was accounted for using the acquisition method under PFRS 3. The fair value of receivables, input VAT, other current assets, and accounts payable and other current liabilities approximate their carrying amounts since these are short-term in nature. The fair values of the identifiable FIT contract as intangible asset and property, plant and equipment were determined using the income approach. The fair value measurements are classified as level 3, for both, with unobservable inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

SACASOL runs a 45- megawatt (MW) solar farm which is under the government's FIT regime. ACEIC Group's acquisition is in line with its strategy to expand its business operations in renewable energy platform.



The following are the fair values of the identifiable assets and liabilities as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	₱232,560
Receivables	113,812
Input value added tax	46,793
Other current assets	34,077
Property, plant and equipment*	1,207,318
Intangible assets	2,191,814
Deferred income tax assets – net	41,417
Other noncurrent assets	5,757
	3,873,548
Liabilities	
Accounts payable and other current liabilities	₱43,259
Income and withholding taxes payable	1,000
Lease liabilities	523,006
Other noncurrent liabilities	65,374
	632,639
Net assets	3,240,909
Less: Cost of acquisition	3,088,109
Fair value of previously held interest	102,830
Gain on bargain purchase	₱49,970

*Balance includes right-of-use assets.

The acquisition resulted to a gain on bargain purchase which is recognized under Other income account in the consolidated statement of income (see Note 22).

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

	In ₱ (In Thousands)
Cash consideration	₱3,088,109
Less: Cash acquired from the subsidiary**	232,560
Net cash outflow	₱2,855,549

**Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the year ended December 31, 2020 would have been ₱697.2 million. Since this is a step acquisition, the incremental contribution to the net income attributable to ACEN for the year ended December 31, 2020 amounted to ₱339.0 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱402.8 million.

Negros Island Solar Power, Inc (ISLASOL)

On December 2, 2019, the following significant transactions were executed:

- ACEN and TLCTI Asia entered into Investment Agreement with the intention to own 66% and 34% voting interest, and 60% and 40% economic interest, respectively, in ISLASOL. The investment agreement details the series of undertakings, to wit:
 - acquisition of ACEN or its Designee, as the case may be, of ISLASOL, in accordance with the terms and conditions of the share purchase agreement between PINAI and ACEN.



- creation by ISLASOL of a new class of shares ("Class E Redeemable Preferred Shares") by increasing its authorized capital stock from ₱6,917.0 million to ₱8,000.0 million. Class E Redeemable Preferred Shares shall have the same features as of the other redeemable preferred shares of ISLASOL (that are not Class D Redeemable Preferred Shares) and shall have voting rights.
- subscription by TLCTI Asia to ISLASOL's Class E Redeemable Preferred Shares for a total subscription of ₱2,780.2 million, which includes a premium over par value amounting to ₱1,745.0 million. As of December 31, 2019, ISLASOL has outstanding notes payable to TLCTI Asia amounting to ₱2,140.73 million.
- ACEN signed a share purchase agreement with PINAI Investors for the acquisition of PINAI's 98% ownership interest in ISLASOL.

TLCTI Asia and ISLASOL amended the original loan agreement entered into on September 14, 2015 under which TLCTI Asia agreed to provide ISLASOL financing of up to ₱2,140.0 million. Under the amended loan agreement, the residual amount of ₱1,745.0 million shall be payable by ISLASOL to TLCTI Asia only in the event that ISLASOL is able to raise additional equity funding through primary issuance of shares. On February 26, 2020, PCC approved ACEN's acquisition of the PINAI Investors' ownership interest in ISLASOL.

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in ISLASOL and payment of the purchase price in the amount of ₱1,629.9 million by Giga Ace 3, Inc. were completed. Subsequently, purchase price was adjusted to ₱1,632.3 million based on the provisions of the share purchase agreement. Giga Ace 3 is ACEN's wholly owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in ISLASOL.

On March 30, 2020, a resolution to increase the authorized capital stock of ISLASOL was approved by its BOD and ratified by the stockholders.

On May 22, 2020, a subscription agreement was signed between TLCTI Asia and ISLASOL which finalizes the subscription of TLCTI Asia to the increase in ISLASOL's authorized capital stock. On the same date, Giga Ace 3, TLCTI Asia and ISLASOL entered into a Shareholders' Agreement which sets out the provisions of their ownership interest in ISLASOL.

On October 30, 2020, ISLASOL, VRC, and TLCTI Asia entered into letter agreement on the extension of payment for the balance of subscription payable by TLCTI Asia in favor of ISLASOL in the amount of ₱405.9 million with an interest rate of 8% for any portion paid on or before February 28, 2021, and 10% for any portion paid after February 28, 2021. TLCTI Asia has until December 31, 2021 to pay the balance of the subscription price.

The abovementioned series of transactions provided ACEN an economic interest of 60%, on fully diluted basis post subscription of TLCTI Asia. ACEN assessed that although executed subsequent to the acquisition date (March 23, 2020), the subscription agreement between TLCTI Asia and ISLASOL dated May 22, 2020 was executed in contemplation of the Investment Agreement, with an overall economic objective for ACEN and TLCTI Asia to have 60% and 40% economic interest, respectively.

The transaction was accounted for using the acquisition method under PFRS 3. The fair value of receivables, fuel and spare parts, input VAT, other current assets, and accounts payable and other current liabilities approximate their carrying amounts since these are short-term in nature. The fair value of the property, plant and equipment was determined using the income approach. The fair value measurement is classified as level 3, with unobservable level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

ISLASOL owns and operates an 80-MW solar farm in Negros Occidental. ACEIC Group's acquisition is in line with its strategy to expand its business operations in renewable energy platform.



The following are the fair values of the identifiable assets and liabilities as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	₱461,012
Receivables	1,106,301
Fuel and spare parts	10,558
Input value added tax	44,339
Other current assets	33,023
Property, plant and equipment*	1,908,579
Deferred income tax assets – net	117,512
Other noncurrent assets	2,626
	3,683,950
Liabilities	
Accounts payable and other current liabilities	50,868
Income and withholding taxes payable	21
Short-term loans	395,388
Lease liabilities	367,798
Other noncurrent liabilities	121,515
	935,590
Net assets	2,748,360
Less: Cost of acquisition	1,632,324
Fair value of previously held interest	29,145
Non-controlling interest	1,099,344
Goodwill	₱12,453

*Balance includes right-of-use assets.

Net cash outflow on acquisition is as follows:

	In ₱ (In Thousands)
Cash consideration	₱1,632,324
Less: Cash acquired from the subsidiary**	461,012
Net cash outflow	₱1,171,312

**Cash acquired with the subsidiary is included in cash flows from investing activities.

Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under intangible assets in the consolidated statements of financial position. None of the goodwill recognized is expected to be deductible for income tax purposes.

Consideration transferred was paid in cash on transaction date.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the period ended December 31, 2020 would have been ₱222.7 million. Since this is a step acquisition, the net loss contribution to the net income attributable to ACEN for the period ended December 31, 2020 amounted to ₱7.5 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱5.4 million.

Healthway Philippines, Inc.

On December 6, 2019, AC Health signed a binding agreement to acquire a 100% stake in Healthway Philippines, Inc. (Healthway) from Healthway Asia Ltd. Healthway Philippines, Inc. owns, through its wholly-owned subsidiary HMC, Inc., the Healthway chain of clinics that comprises of 7 mall-based specialty clinics and 40 corporate clinics in the country.



On January 15, 2020, AC Health and Healthway Asia Ltd. completed the transaction, making AC Health the new sole owner of Healthway Philippines, Inc.

The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follow (in thousands):

Assets	
Cash and cash equivalents	₱125,894
Receivables	82,894
Medicine and medical supplies	6,834
Other current assets	8,955
Tradename	1,290,414
Property and equipment	66,967
Right-of-use asset	142,235
Other noncurrent assets	72,524
	<u>1,796,717</u>
Liabilities	
Accounts other current payables	210,145
Tax payable	895
Lease Liability	145,743
Other current liability	25,674
Pension liability	78,636
Other noncurrent liabilities	146,211
Deferred tax liability	387,124
	<u>994,428</u>
Net assets (Deficit)	802,289
Less: Cost of acquisition	1,306,830
Goodwill	<u><u>₱504,541</u></u>

Healthway trademark has been identified as intangible asset arising from this acquisition. AC Health has performed an internal valuation to determine fair value of this trademark amounting to ₱1,290.4 million.

AC Health also determined that purchase price includes Goodwill amounting to ₱0.5 million which is due to expected synergies from combining its healthcare operations.

The goodwill recognized from the acquisition comprises the value of strengthening AC Health's market position in the multispecialty clinics sector in the Philippines and cost reduction synergies expected to arise from acquisition.

Trademark pertains to Healthway brand name. The brand name enables HPI to enjoy higher gross profit as compared to industry and its competitors. The trademark value is measured as the present value of the projected revenue multiplied by the delta gross profit percentage less the cost to maintain the trademark and the related tax.

Growth rate used was at a conservative 8% versus the market study of up to 9.6% and discount rate of 15%.

Net cash outflow on acquisition is as follows:

	In ₱ (In Thousands)
Cash consideration	₱1,306,830
Less: Cash acquired from the subsidiary	125,893
Net cash outflow	<u><u>₱1,180,937</u></u>



The fair value of the receivables is the same as their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

From the date of acquisition and if the combination had taken place at the beginning of 2020, AC Health's share in Healthway's revenue and net income amounted to ₱706.1 million and ₱207.2 million, respectively.

2019 Acquisitions

ACEN

On January 9, 2019, PHINMA Corporation approved and signed the Heads of Agreement for the sale of its shares in ACEN, representing 26.25% ownership interest to ACEIC subject to the execution of the appropriate definitive agreements.

Further to the transaction, ACEIC Group acquired PHINMA Corporation's and PHINMA Inc.'s combined 51.5% stake in ACEN via secondary share sale for approximately ₱3.4 billion, based on the valuation date as of December 31, 2018. ACEIC also subscribed to approximately 2.6 billion ACEN primary shares at par value.

On February 8, 2019, the parties signed the Investment Agreement. The PCC approval was issued on April 11, 2019.

ACEIC Group made a tender offer to the other ACEN shareholders from May 20 to June 19, 2019. On June 24, 2019, ACEIC Group completed its acquisition of ACEN, making it a subsidiary of the former. Subsequently, the ACEIC Group divested a portion of its shareholdings at book value which resulted in ACEIC Group effectively owning 66.3% of ACEN's total outstanding shares of stock.

On October 11, 2019, the SEC approved the change in corporate name of PHEN to ACEN.

The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follow (amounts in thousands):

Assets

Cash and cash equivalents	₱3,600,845
Receivables – net	2,731,875
Other current assets	454,712
Investment in joint ventures and associates	6,819,774
Property, plant and equipment	3,029,250
Intangibles	135,172
Other noncurrent assets	2,868,546
	<u>19,640,174</u>

Liabilities

Accounts payable and accrued expenses	2,804,425
Loans and other noncurrent liabilities	7,785,492
	<u>10,589,917</u>

Net assets

	<u>₱9,050,257</u>
Cost of acquisition	₱6,301,353
Less: Share in the fair value of net assets acquired	6,003,940
Goodwill	<u>₱297,413</u>
Non-controlling interest	<u>₱3,046,317</u>



Analysis of cash flows on acquisition:

	In ₱ (In Thousands)
Cash consideration	₱6,301,353
Less: Cash acquired from the subsidiary	3,600,845
Net cash flow (included in cash flows from investing activities)	₱2,700,508

From June 24 to December 31, 2019, the ACEIC Group's share in ACEN's revenue and net income amounted to ₱4.7 billion and ₱106.7 million, respectively. Had the combination taken place at the beginning of 2019, the ACEIC Group's share in ACEN's revenue and net loss would have been ₱1.4 billion and ₱0.5 million, respectively.

In June 2020, ACEIC Group finalized its purchase price allocation of the acquisition of ACEN resulting to a goodwill. The fair value of receivables, other assets, and accounts payable and accrued expenses approximate their carrying amounts since these are short-term in nature. The fair value of property, plant and equipment are based on latest appraised values as of June 24, 2019. Standard valuation methodologies such as the current replacement cost method and discounted cash flows were used to determine fair value computations in finalizing the purchase price allocation of 2019 acquisition. This includes estimates on the fair value of receivables, property, plant, and equipment, investments in joint venture and associates and intangible assets and discount rates. There were no changes in the fair value as a result of finalization.

South Luzon Thermal Energy Corporation (SLTEC)

On July 10, 2019, a SPA was signed between ACEIC and Axia for the sale of the latter's 20% interest in SLTEC. ACEIC had a previously held interest of 35% in SLTEC and 45% indirect ownership interest through ACEN. With the acquisition of 20% interest, SLTEC became a wholly-owned subsidiary of ACEIC Group. PFRS 3, *Business Combinations*, provided that in a step acquisition, the previously held equity interest is remeasured at fair value and the difference is recognized as a gain or loss in the consolidated statement of comprehensive income. A gain on remeasurement of previously held interest amounting to ₱1.7 billion was recorded under "Other income".

The fair values of the identifiable assets and liabilities acquired and goodwill arising as of the date of acquisition follow (amounts in thousands):

Assets	
Cash and cash equivalents	₱1,809,434
Restricted cash	158,028
Receivables-net	202,677
Other current assets	1,190,240
Property, plant and equipment	22,146,802
Other noncurrent assets	396,431
	25,903,612
Liabilities	
Accounts payable and accrued expenses	818,097
Loans and other noncurrent liabilities	11,430,715
	12,248,812
Net assets	13,654,800
Less: Cost of acquisition	3,400,000
Fair value of previously held interest	10,923,840
Goodwill	₱669,040
Fair value of previously held interest	₱10,923,840
Less: Carrying value of previously held interest	9,186,465
Remeasurement gain on previously held interest	₱1,737,375



Analysis of cash flows on acquisition:

	In ₱ (In Thousands)
Cash consideration	₱340,000
Less: Cash acquired from the subsidiary	1,809,435
Net cash inflow (included in cash flows from investing activities)	₱1,469,435

The unpaid acquisition cost for the 20% interest in SLTEC is payable in tranches until September 2021

Remeasurement gain on previously held interest amounting to ₱1.7 billion is recorded under other income in the consolidated statement of income.

From July 10 to December 31, 2019, the ACEIC's share in SLTEC's revenue and net loss amounted to ₱2.42 billion and ₱183.8 million, respectively. Had the combination taken place at the beginning of 2019, the ACEIC Group's share in SLTEC's revenue and net loss would have been ₱4.7 billion and ₱269.8 million, respectively.

In June 2020, ACEIC Group finalized its purchased price allocation of the acquisition of SLTEC resulting to a goodwill. Standard valuation methodologies such as the current replacement cost method and discounted cash flows were used to determine fair value computations in finalizing the purchase price allocation of 2019 acquisition. This includes estimates on the fair value of receivables, and property, plant and equipment and discount rates. There were no changes in the fair value as a result of finalization.

Generika Companies

On March 13, 2019, AC Health signed conditional agreements to subscribe to an additional 2.5% stake in each of the Generika companies namely Actimed, Inc. (Actimed), Novelis Solutions, Inc. (Novelis), Pharm Gen Ventures Corp. (PharmGen) and Erikagen, Inc. (Erikagen) which will result to AC Health having 52.5% ownership thereof. The total subscription of ₱78.0 million was invested into the Generika companies.

The Ferrer Group opted not to participate in this equity round. Generika's Board approved the capital call and AC Health's full take-up last February 28, 2019.

The conditions to the issuance of shares include, among others, the approval of the PCC and other regulatory approvals. On June 3, 2019, AC Health received the approval of the PCC on its proposed increase in ownership in Actimed, Novelis and Pharmgen. On June 28, Erickagen received approval from SEC for its proposal to increase its authorized capital stock.

On July 4, 2019, following the completion of conditions precedent, AC Health proceeded with the closing of the increase to 52.5% in its equity stake in Erikagen, Inc.



The following are the fair values of the identifiable assets and liabilities assumed:

	Actimed	Novelis	Erikagen	PharmGen
		<i>(In Thousands)</i>		
Cash and cash equivalents	₱84,943	₱18,023	₱19,263	₱43,253
Receivables	571,931	94,214	75,667	67,110
Inventories	483,431	11,771	4,995	118,913
Prepayments	14,434	2,682	767	5,909
Other current assets	138,980	5,095	874	7,319
Property and equipment	36,823	1,464	1,557	94,448
Intangible assets	25,472	1,255	—	5,835
Trademark	554,420	—	223,010	—
Right-of-use Asset	23,649	—	13,252	132,397
Deferred tax asset	9,675	1,459	1,196	—
Other noncurrent assets	—	—	3,060	16,538
Total Assets	1,943,758	135,963	343,641	491,722
Accounts and other payables	657,962	53,823	49,055	139,598
Tax payable	4,339	2,952	752	900
Other current liability	184,542	11,124	14,375	257,725
Lease liability	25,387	—	16,086	140,896
Deferred tax liability	166,326	—	66,989	—
Other noncurrent liability	249,503	26,265	1,014	632
Total Liabilities	1,288,059	94,164	148,271	539,751
Fair Value of Net Assets	655,699	41,799	195,370	(48,029)
Non-controlling interest (47.5%)	(311,457)	(19,854)	(92,801)	22,814
Goodwill (Gain on Bargain Purchase)	322,985	29,381	(37,521)	69,614
Cost of acquisition	₱667,227	₱51,326	₱65,048	₱44,399
Cash paid	₱7,065	₱1,559	₱31,578	₱37,796
Gain on Remeasurement	217,563	17,765	20,085	27,874
Carrying value of Investment in Generika	442,599	32,002	13,385	(21,271)
	₱667,227	₱51,326	₱65,048	₱44,399

AC Health recognized a gain of ₱281.9 million as a result of measuring at fair value its 50% equity interest in Generika held before the business combination. The gain is included in the Group's Other Income (see Note 22).

The Generika name and house brand have been identified as intangible assets arising from this acquisition. AC Health has performed an internal valuation to determine the fair value of these trademarks amounting to ₱777.4 million.

AC Health also determined that the purchase price includes Goodwill amounting to ₱421.98 million. The goodwill comprises the value of strengthening AC Health's market position in the affordable retail pharmacy sector in the Philippines and cost reduction synergies expected to arise from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

Both the Trademark and the Goodwill were determined to have indefinite useful life and will be subjected to periodic impairment testing.

Analysis of cash flows on acquisition follows:

	In ₱ (In Thousands)
Cash consideration	₱78,000
Less: Cash acquired from the subsidiary	165,482
Net cash flow (included in cash flows from investing activities)	(₱87,482)



The fair value of the receivables approximates their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

From the date of acquisition, AC Health's share in Generika's revenue and net loss amounted to ₱2,300 million and ₱9.96 million, respectively. If the combination had taken place at the beginning of 2019, AC Health's share in Generika's revenue and net loss would have been ₱2,346 million and ₱9.96 million, respectively.

C-CON Group

On March 13, 2019, AC Industrials through its subsidiary MT Technologies GmbH, has entered into an agreement with the shareholders of C-CON Group for the acquisition of a 75.1% stake in C-CON Group for a total consideration of EURO 0.86 million. The closing of the transaction transpired on April 1, 2019. C-CON Group is a German engineering, design and manufacturing group catering to the automotive, industrial and aerospace space industries. The acquisition is in line with the strategy to expand its business operations in auto industry. Beyond the envisioned complementary benefits to MT, C-con also hold proprietary expertise in the production of carbon fiber reinforced polymer (CFRP) parts.

The MT group elected to measure the noncontrolling interest in the acquiree at the proportionate share of its interest in the acquiree's net assets acquired and liabilities assumed.

The fair value of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands)

	In EURO	In ₱*
Assets		
Cash	€159	₱9,397
Receivables	3,308	195,548
Inventories	3,550	209,873
Property, plant and equipment	6,343	374,972
Other noncurrent assets	849	50,189
	14,209	839,979
Liabilities		
Trade accounts payable and accrued liabilities	2,874	169,885
Loans payable	10,350	611,890
	13,224	781,775
Net assets	€985	₱58,204
	In EURO	In ₱*
Cost of acquisition	€1,429	₱84,471
Non-controlling interest at fair value	245	14,493
	1,674	98,964
Less: Fair value of net assets acquired	985	58,204
Goodwill	€689	₱40,760

*Translated using the exchange rate at the date of the closing of the transaction (€1:₱59.1182 on April 1, 2019).



Analysis of cash flows on acquisition follows (amount in thousands)

	In EURO	In ₱*
Initial purchase consideration	€860	₱50,842
Liabilities related to contingent consideration recognized	569	33,629
Cost of acquisition	€1,429	₱84,471
Purchase cash consideration	860	50,842
Less: Cash acquired from the subsidiary	159	9,397
Net cash flow (included in cash flows from investing)	€701	₱41,445

*Translated using the exchange rate at the date of the closing of the transaction (€1:₱59.1182 on April 1, 2019).

The initial purchase consideration of €860 thousand was paid in cash. The transaction purchase price also includes contingent consideration of €569 thousand payable to the previous shareholders, subject to certain conditions. It also includes put and call options on the non-controlling interest in C-con of 24.9%, the exercise of which are subject to certain conditions. The estimated fair value of the net financial liability amounted to €1.739 million (₱102.8 million)

Acquisition-related costs, which consist of professional and legal fees, transaction costs and travel expenses amounting to €0.6 million were recognized as expense in 2019.

In 2020, AC Industrial Group finalized its purchase price allocation and there were no changes to the fair values of the assets acquired and liabilities assumed.

From the date of acquisition, AC Industrial's share in C-con's revenue and net losses amounted to €15.7 million (₱902.9 million) and €2.2 million (₱124.3 million) respectively, covering nine months from April to December 2019. If the combination had taken place at the beginning of 2019, the ACI's share in C-con's revenue and net losses would have been €20.9 million (₱1,216.2 million) and €3.0 million (₱174.1 million), respectively.

Transactions with Non-controlling Interest

ACEIC Group

ACEN's Capital Raising Activities

▪ ACEN Stock Rights Offering

On November 11, 2020, the Board of ACEN approved the pricing for, and volume of, the shares that will be issued pursuant to ACEN's stock rights offering (SRO). ACEN will issue 2,267.6 million shares at ₱2.37, and at an entitlement of 1.11 shares:1 offer share per share subject to the requisite approval by the SEC of the details of the offer, including the offer price.

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under Section 8 of the Code pursuant to Section 10.1 thereof. On December 16, 2020, Philippine Stock Exchange (PSE) approved ACEN's application for the listing of additional shares of up to 2,267.6 million common shares covering its SRO to all stockholders as of the proposed record date of January 13, 2021, at ₱2.37 per share. The SRO is comprised of two rounds and a domestic institutional offer.

During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, 2,094.90 million shares and 172.68 million shares in first round and second round allocation, respectively, which were subsequently listed with the PSE on January 29, 2021.



Total proceeds from the SRO amounted to ₱5,319.0 million, and ACEIC's % ownership over ACEN was diluted from 82% to 70%.

▪ *GIC's Investment in ACEN*

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran, an affiliate of GIC, for GIC's acquisition of an effective 17.5% ownership interest in ACEN.

On March 18, 2021, Arran subscribed to 4,000.0 million common shares of ACEN at a price of ₱2.97 per common share through a private placement (the "Private Placement"), for an aggregate value or consideration of ₱11,880.0 million.

The private placement is the first tranche of GIC's investment to achieve a 17.5% ownership stake in ACEN. ACEIC's % ownership over ACEN was diluted from 70% to 56%.

▪ *Follow-on Offering (FOO)*

On February 4, 2021, ACEN's Executive Committee approved the FOO price range of ₱6.00-₱6.50 per share for up to 2,000.0 million common shares (primary). On February 16, 2021, ACEN submitted a registration statement for up to 2,430.2 million common shares (primary and secondary shares with over-allotment) with the SEC.

On March 18, 2021, the BOD of ACEN approved the issuance of 1.58 billion primary shares for the FOO.

May 5, 2021, ACEN received approvals from the PSE and obtained permit to sell from the SEC. During the retail offer period for the FOO on May 3, 2021 to May 7, 2021, ACEN completed up to 2,010.0 million common shares priced at ₱6.50 per share, consisting of 1,580.0 million primary shares, 330.2 million secondary shares offered by ACEIC and Bulacan Power, and an over-subscription of 100.0 million secondary shares sold by ACEIC.

Total proceeds from the FOO amounted to ₱10,270.0 million, and ACEIC's % ownership over ACEN was diluted from 56% to 50%.

Net proceeds from the sale of primary shares will be used by ACEN to partially fund the development of renewable power projects in the pipeline and inorganic growth opportunities if and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. ACEN will not receive any proceeds from the sale of secondary shares by the Selling Shareholders.

The primary shares were listed at the PSE on May 14, 2021. This brought ACEN's total outstanding shares to 21.5 billion, with a market capitalization of over ₱150 billion.

▪ *ACEIC's sale of secondary shares*

On December 6, 2021, ACEIC signed a share purchase agreement with GIC for the sale of 2,689.5 million secondary ACEN shares for a total consideration price amounted to ₱9,326.7 million.

As of December 31, 2021, after the capital raising activities above and the share swap in 2021 on offshore subsidiaries described below, ACEIC's effective ownership share in ACEN is at 64.65%.

These capital transactions resulted to additional equity reserve and non-controlling interests amounting to ₱13.6 billion and ₱13.3 billion, respectively at the consolidated ACEIC financials.



Transfer of ACEIC's offshore subsidiaries through share swap

On April 26, 2021, ACEIC and ACEN executed a Deed of Assignment wherein ACEN will issue 16,685.8 million shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931.9 million in exchange for ACEIC's 1,701.3 million common shares and 15,030.3 redeemable preferred shares in AC Energy International, Inc. (ACE International), (share swap agreement) which holds ACEIC's international renewable assets.

On June 7, 2021, the SEC approved the ACEN's increase in authorized capital stock (ACS) from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares. The SEC approval is considered as a transaction completion date and effectively, ACEN acquired full ownership interest in ACE International including indirect ownership interests in ACE International including indirect ownership interests in AC Renewables International Pte. Ltd. (ACRI), AC Energy Cayman (ACEC), ACE Investments HK Limited (ACE HKL).

The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended ("NIRC"), as amended by Republic Act No. 10963 (TRAIN Law) and Republic Act No. 11534 (CREATE Law), for which a request for ruling is no longer required to be filed with the Bureau of Internal Revenue (BIR) to confirm that the share swap transaction qualifies as a tax-free exchange.

Approval of Assets-for-Shares Swap

On March 17, 2020, ACEIC's BOD approved the consolidation of its international business and assets into ACEN via a tax-free exchange, whereby ACEIC will transfer 100% of its shares of stock in Presage (a 100%-owned subsidiary holding ACEIC's international business and investments), consisting of 1,650,166,347 common shares and 15,035,347,600 redeemable shares, to ACEN in exchange for the issuance to ACEIC of additional common shares.

On March 18, 2020, BOD of ACEN approved the consolidation of ACEIC's international business and assets into ACEN via a tax-free exchange, on terms to be set by ACEN's Executive Committee.

On April 1, 2020, ACEN's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to ACEIC at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEIC's shares in Presage.

Share Buy-Back Transactions of ACEN Shares

On March 18, 2020, the BOD of ACEN approved a share buy-back program to support its share prices through the repurchase in the open market of up to ₱1,000.0 million worth of common shares beginning March 24, 2020. As of December 31, 2020, cumulative number of shares repurchased is at 14.5 million for an aggregate repurchase price of ₱28.7 million.

Other ACEN Investments

Acquisition of non-controlling interest in MSPDC and Northwind

In October 2021, ACEN's subsidiary BCHC acquired 34.00% ownership interest of the minority stockholders of MSPDC at an aggregate amount of ₱280.5 million. Effective October 31, 2021, MSPDC became a wholly-owned subsidiary of ACEN.

In October 2021, the BOD of ACEN approved the acquisition of the 32.2% ownership interest of the minority stockholders of Northwind (the "NW Minorities") for up to ₱1,093.0 million. Moreover, the BOD approved the issuance of up to 90.0 million common shares to the owners, affiliate, and/or partners of the NW Minorities at up to ₱11.32 per share (subject to adjustments), and subject to agreed conditions precedent and applicable regulatory approvals.

On November 12 and 15, 2021, the Share Purchase Agreement and Subscription Agreements, respectively, were signed by ACEN and the NW Minorities for 90.00 million shares in ACEN at a price of ₱11.32 per share.



Effective November 15, 2021, Northwind became a wholly-owned subsidiary of ACEN. The subscribed shares were issued to NW Minorities on November 29, 2021.

These transactions resulted to a decrease in equity reserve amounting to ₱985.7 million.

Subscription Agreement of ACEN with Giga Ace 4, Inc. ("Giga Ace 4"), Pagudpud Wind Power Corp. ("PWPC") and Buendia Christiana Holdings Corp. ("BCHC")

Giga Ace 4

- a) 43,975,374 Common A Shares at the subscription price of ₱219.9 million; and
- b) 395,958,366 Redeemable Preferred A Shares ("RPS A") at the subscription price of ₱1,979.8 million.

The total Subscription Price of ₱2,199.7 million, is to be issued out of the increase in ACS of Giga Ace 4.

PWPC

- a) 3,033,255 Common Shares and 27,299,298 Class A Redeemable Preferred Shares ("RPS A") of PWPC.

BCHC

- a) 75,000,000 Redeemable Preferred A Shares ("RPS A") with a par value of ₱0.10 per share, and
- b) 4,075,000 Redeemable Preferred B Shares ("RPS B") with a par value of ₱100.00 per share, for a total par value of ₱415.0 million (the "Subscription Price), to be issued out of the increase in ACS of BCHC, subject to the necessary regulatory approvals from the SEC.

Executive Committee's approval of conversion of advances to One Subic Power Generation Corporation ("One Subic Power") into equity

On June 9, 2021, ACEN's Executive Committee approved the conversion of ACEN's advances to One Subic Power amounting to ₱680.0 million, into equity, of which, is equivalent to 33,493,366 common shares subscription in One Subic Power.

Gigasol San Marcelino Solar Project

On August 4, 2021, the Board approved the 250 MWdc Gigasol San Marcelino Solar Project. The Gigasol San Marcelino Solar Energy Power Plant will be located in Brgy. Santa Fe, San Marcelino, Zambales. Phase 1 of the project is for approximately 250MWdc, with a projected annual power generation of over approximately 350GWh.

BOD Approvals

On October 18, 2021, the Board of Directors (BOD) of ACEN approved the following matters:

- Transitioning of ACEN's power generation portfolio to 100% renewable energy by 2025. For this purpose, the BOD of ACEN approved the infusion of certain thermal assets into ACEN in the form of property-for-share swap.
- ACEN's acquisition, directly or through its nominated affiliate, of the ownership interest of UPC Philippines Wind Investment Co. BV (UPC Philippines) and the owner of the 160MW Pagudpud Wind that is currently under construction in Brgy. Balaoi, Pagudpud, Ilocos Norte. This will be acquired together with NLR and other development special purpose vehicles for an aggregate consideration of up to ₱4.5 billion (subject to adjustments), subject to agreed conditions precedent including required partner, financing, and regulatory approvals, and subject further to execution of definitive documentation. The Sellers will in turn subscribe to up to 942 million common shares of ACEN with a subscription price of ₱11.32/share, subject to adjustments

In December 2021, the stockholders of ACEN approved the issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines;



- The acquisition of ACEN, directly or through its affiliate, of the 32.2% ownership interest of the minority stockholders of NorthWind (the “NW Founders”) for up to ₱1.093 billion (subject to adjustments), and subject to agreed conditions precedent including required partner, financing, and regulatory approvals;
- The issuance of 90 million common shares to the owners, affiliate, and/or partners of the NW Founders at up to ₱11.32 per share (subject to adjustments), and subject to agreed conditions precedent and applicable regulatory approvals;
- The joint venture with CleanTech Global Renewables, Inc. for the 200MWdc Lal-lo Solar Power Project in Lal-lo, Cagayan, subject to agreed conditions precedent, including applicable regulatory approvals, and subject further to execution of definitive documentation.

ACEN's Subscriptions for Giga Ace 1, Giga Ace 2 and Giga Ace 3 Shares

On February 27, 2020, ACEN subscribed to 75,000 common shares of Giga Ace 1 with par value of ₱1 per share to be issued out of the unissued ACS, and 43,069,625 common shares with par value of ₱1 per share and 53,562,609 Class A redeemable preferred shares with par value of ₱40 per share to be issued out of increase in ACS of Giga Ace 1.

On March 4, 2020, ACEN signed a subscription agreement with Giga Ace 1 for the subscription by ACEN to additional 1,170,000 common shares and 32,500 Class A redeemable preferred shares to be issued out of the increase in ACS of Giga Ace 1.

On March 20, 2020, ACEN signed a subscription agreement with Giga Ace 2 and Giga Ace 3 for the subscription by ACEN to 3,041,096,860 common shares with par value of ₱1 per share and 1,662,654,537 common shares with par value of ₱1 per share, respectively, to be issued out of the increase in ACS of Giga Ace 2 and Giga Ace 3.

ALI Group

Merger of ALI and CHI and other subsidiaries

On February 23, 2021, the ALI BOD approved the merger of Cebu Holdings, Inc., Asian I-Office Properties, Inc. (AiO), Arca South Commercial Ventures Corp. (ASCVC) and Central Block Developers Inc. (CBDI) (collectively “the Constituent Corporations”) with and into ALI. The plan of merger was approved by the stockholders on April 21, 2021. The SEC approved the merger on December 16, 2021.

CHI is 71.1% subsidiary of ALI. ASCVC and AiO is a wholly owned subsidiary of ALI and CHI, respectively. CBDI is 55% owned by CHI and 45% owned by ALI.

ALI shall be the surviving entity in the merger and shall possess all the rights, privileges and immunities of the absorbed corporations, and all properties and liabilities, and all and every other interest of or belonging to the absorbed corporations shall be taken and deemed transferred to ALI without further act or deed.

The merger is an internal restructuring as well as a consolidation of the ALI Group's Cebu portfolio under one listed entity. The merger is expected to result in operational synergies, efficient funds management and simplified reporting to government agencies.

As a result of the above merger, ALI's ownership on the seven companies also increased namely Southportal Properties, Inc. (from 65% to 100%), Cebu Leisure Company, Inc. (from 71% to 100%), CBP Theatre Management Inc. (from 71% to 100%), Taft Punta Engaño Property Inc. (from 39% to 55%), Cebu Insular Hotel Company, Inc. (from 26% to 37%), Solinea, Inc (from 25% to 35%), Amaia Southern Properties, Inc. (from 25% to 35%). The impact of the merger is a decrease to equity reserve amounting to ₱276.8 million.



Property-for-share swap

On March 15, 2021, the Executive Committee of ALI approved the infusion of its identified key commercial properties into AREIT valued at ₱15,464.14 million under a property-for-share swap transaction wherein ALI will subscribe to 483,254,375 primary common shares of AREIT at a price of ₱32.00 per share, as validated by a third-party fairness opinion, subject to the approval of pertinent regulatory bodies.

On October 8, 2021, ALI and AREIT received the approval of the SEC of the property-for-share swap, specifically the subscription of ALI and its subsidiaries, Westview and Glensworth to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI, Westview and Glensworth, under the Deed of Exchange dated June 8, 2021. This resulted in ALI's interest in AREIT increasing from 54% to 66%. The impact is a decrease to equity reserve amounting to ₱981.1 million.

Acquisition of shares by the Parent Company

On various dates in 2021, the Parent Company purchased a total of 278,120,000 ALI common shares at varied purchase price per share. The total purchase price amounted to ₱10,118.9 million. The impact of this transaction is a decrease to equity reserve amounting to ₱5,836.6 million.

Acquisition of 5% interest of LTI

On March 19, 2021, ALLHC purchased the 5% equity interest owned by Mitsubishi Corporation in LTI, equivalent to 2,013 common shares, with a total value of ₱200 million. As a result, ALI's effective ownership in LTI has increased to 71% from 68%.

AREIT's Initial Public Offering

On February 7, 2020, ALI's subsidiary, AREIT, filed its application for a REIT offering to the SEC, following the release of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9856, or the Real Estate Investment Trust Act of 2009 last January 20, 2020.

On July 10, 2020, the SEC issued its pre-effective approval of AREIT registration for a REIT IPO with an offer of up to ₱15,000.0 million. The base offer is up to 456.8 million common shares at an offer price of up to ₱30.05 per share, with a stabilization option of up to 45.7 million common shares (collectively, the "Offer Shares"). In total, this represents up to 49% of AREIT's capital stock. PSE approved AREIT's IPO on July 15, 2020.

AREIT was listed in the PSE on August 13, 2020. On the same date, ALI sold through a public listing its 49.00 % effective noncontrolling interest in AREIT, Inc. at ₱27 per share. Subsequently during a one-month stabilization process, BPI Capital Corporation acquired a 3.43% interest in AREIT at an average price of ₱26/share and redelivered this to ALI, increasing its effective ownership back to 54.4%. ALI's net equity reserve from the sale and buy-back transactions aggregated to ₱7,641.7 million out of the ₱12,343.5 million net proceeds. ALI's non-controlling interest increased by ₱4,701.7 million as a result of the public offering.

As of December 31, 2020, AREIT is 45.04% owned by ALI, 9.39% owned by ALOI, and 45.57% public. Effectively, ALI's ownership was reduced from 100.00% to 54.43% as a result of public offering.

Equity reserve and non-controlling interest amounting to ₱3,386.8 million and ₱8,956.7 million, respectively, were recognized in the Group's consolidated statements of changes in equity as a result of AREIT's IPO.

The fair value of the AREIT shares held by ALI Group amounted to ₱38,959.8 million and ₱12,526.4 million as of December 31, 2021 and 2020, respectively.



AC Infra Group

In 2021, the AC Infra Group's increase in the ownership interests in Entrego Fulfillment Solutions, Inc. (EFSI) and ELC resulted to increase in the carrying value of its non-controlling interests amounting to ₱293.81 million and ₱71.72 million, respectively, while the AC Infra Group's increase in the ownership interest in MCXI resulted to a ₱1.97 million decrease in the carrying value of its non-controlling interest. The excess of these adjustments over the consideration paid, totaling to ₱365.0 million, is recognized as decrease to equity reserve.

Others

In September 2019, ALI purchased additional 648,177 shares of VPHI for ₱799.42 million increasing ALI's ownership to 78.41%.

On April 17, 2019, ALI acquired additional 14,913,200 common shares of CHI through open market purchases using the trading facilities of the Philippine Stock Exchange totaling ₱88.7 million resulting in ALI's ownership from 70.4% to 71.1%.

On April 30, 2018, ALI and ALLHC, executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of ALLHC for an aggregate subscription price of ₱3.0 billion in exchange for 30,186 common shares of LTI. The subscription and exchange shall be subject to and deemed effective only upon the issuance by the SEC of the confirmation of valuation of the shares. The SEC issued its approval on February 28, 2019. This increased ALI's ownership to 69.50%. This resulted in a decrease in equity reserve amounting to ₱664.9 million.

On February 4, 2019, the Executive Committee of ALI approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of ₱800 million. On May 10, 2019, POPI changed its corporate name to ALLHC.

Subsequently on June 10, 2019, ALI sold to ALLHC its 20% equity interest or 8,051 LTI common shares equivalent to ₱800 million for additional shares of stock in ALLHC resulting to increase in ALI's ownership from 69.5% to 70.36%. On September 9, 2019, OLI sold through a special block sale, 215,090,031 common shares of ALLHC to Avida Land Corporation, a wholly-owned subsidiary of ALI, for a total consideration of ₱628.1 million. Subsequently, these shares were acquired by ALI through a special block sale for a total consideration of ₱628.1 million. This resulted in an increase ALI's effective ownership in ALLHC from 70.36% to 71.46%.

The transactions were accounted for as an equity transaction since there were no changes in control. The movements within equity are accounted for as follows:

	2019	
	Consideration paid	Difference recognized within Equity as Equity Reserve
	Carrying value of Non-controlling interests acquired	
	(In Thousands)	
8.41% in VPHI	₱799,420	₱68,916
0.69% in CHI	88,734	73,977
0.86% in ALLHC	800,000	825,447
1.10% in ALLHC	628,100	1,033,335
	₱2,316,254	₱2,001,675
		₱314,579

IMI Group

VIA

On September 25, 2020, VIA Optronics, a 76%-owned German subsidiary of IMI, raised some proceeds through an IPO and was listed on the New York Stock Exchange under the ticker symbol "VIAO". The IPO involves issuance of 6,250,000 American Depositary Shares (ADSs), representing 1,250,000 ordinary shares at a public offering price of \$15.00 per ADS, for gross proceeds of \$93.75 million (net \$87.19 million after deducting underwriting discounts and commissions). Coming



Research & Development Corporation (“Corning”), one of VIA’s commercial partners, has also agreed to purchase 1,403,505 ADSs, representing 280,701 ordinary shares, at an aggregate purchase price of approximately \$20 million (net \$19.6 million after commissions) in a separate concurrent private placement.

As a result of the IPO, IMI’s ownership interest in VIA was diluted from 76.01% to 50.32%. In relation to the dilution without loss of control, the carrying amount of the non-controlling interest was increased by \$62.5 million to reflect the changes in the relative interests in VIA (including allocation of goodwill). IMI recognized directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attributed it to the owners of IMI. The amount recognized in equity amounted to \$32.4 million and was included under “Additional paid-in capital” account of IMI.

The put options of VIA was terminated upon IPO and balance of \$15.3 million was reverted to equity under “Additional paid-in capital” account (see Note 17).

As a result of VIA’s IPO and termination of put options, a total of ₱1,206.4 million was recognized as equity reserve in the Group’s consolidated statements of changes in equity.

24. Assets and Liabilities and Operations of Segment under PFRS 5

Assets and liabilities under PFRS 5 consist of the following:

	2021	2020
<i>Assets under PFRS 5</i>	<i>(In Thousands)</i>	
MWC	₱—	₱137,196,183
GNPK	—	58,940,387
ACEIC’s investment in KPHLC	11,758,142	—
ACEIC’s Kauswagan Land	402,769	—
ACEN Power Barges	193,537	—
Bataan Solar Energy, Inc. Property, plant and equipment	9,927	—
	₱12,364,375	₱196,136,570
	2021	2020
<i>Liabilities under PFRS 5</i>	<i>(In Thousands)</i>	
MWC	₱—	₱96,439,767
GNPK	—	27,851,715
	₱—	₱124,291,482

MWC

Amended Articles of Incorporation

On January 31, 2020, the BOD approved the amendment of the Seventh Article of the Articles of Incorporation to increase the authorized capital stock from ₱3.5 billion to ₱4.4 billion, which increase will consist of an additional 900.0 million common shares. The BOD also approved the increase in the carved-out shares from 300.0 million to 900.0 million unissued common shares and to allow the issuance of the carved-out shares “for cash, properties or assets to carry out” the corporate purposes” of MWC as approved by the BOD.

On July 2, 2020, MWC received formal notice from the SEC approving several key amendments to the MWC’s Amended Articles of Incorporation. Particularly, these amendments are:

1. to increase the carved-out shares from 300.0 million unissued common shares to 900.0 million unissued common shares allocated for issuance in one or more transactions or offerings for cash, properties, or assets to carry out MWC’s corporate purposes as approved by the BOD; and



2. to allow the issuance of the carved-out shares “for cash, properties, or assets to carry out” the corporate purposes of MWC as approved by the BOD. Carved-out shares are common shares which are waived of shareholders’ pre-emptive rights and are earmarked for specific corporate purposes.

Trident Water’s acquisition of voting interest in MWC

On February 1, 2020, MWC and Prime Metroline Holdings, Inc., on behalf of a company to be incorporated (Trident Water), signed a subscription agreement for the acquisition of 820.0 million common shares of MWC at ₱13.00 per share. On February 6, 2020, the Parent Company’s Executive Committee approved the grant of proxy rights by Philwater to Trident Water over its 4,000,000,000 preferred shares to enable the latter to achieve 51.00% voting interest in MWC, subject to the fulfillment of the conditions in the subscription agreement for the 24.96% share in MWC. Upon the grant of proxy rights to Trident Water, the Parent Company’s effective voting interest in MWC will stand at 31.60%.

On February 7, 2020, MWC received a letter from Prime Metroline Holdings, Inc. that it has announced, through publication in a newspaper of general circulation, its intention to make a mandatory offer for the shares of the MWC at an offer price of ₱13.00 per share.

The subscription agreement will become effective after certain conditions precedent are met, including relevant third-party consents and regulatory approvals. This includes the SEC’s approval of the denial of pre-emptive rights with respect to the issuance of shares to Trident Water. The closing of the subscription agreement is conditioned on the continuing effectivity of MWC’s material contracts. On August 25, 2020, MWC received a copy of the resolution from PCC, indicating that the PCC will take no further action with respect to the transaction, Trident Water’s acquisition of 51% voting interest in MWC. Specifically, it was deemed that the proposed acquisition of Trident Water of shares in MWC will not likely result in substantial lessening of competition.

As of December 31, 2020 and 2019, MWC qualified as a group held for deemed disposal and since the operations of MWC represents the Group’s water infrastructure business segment, qualified as a discontinued operation (presented as operation of segment under PFRS 5 in the consolidated statement of income).

On February 15, 2021, MWC and Prime Strategi Holdings, Inc. (PSHI) signed an Amendment to the Subscription Agreement which both parties entered into last February 1, 2020. The amendment covers the inclusion of Trident Water as party to the Subscription Agreement following its establishment, as well as the updated payment terms which is 50.0% upon Closing and 50.0% upon call of MWC’s BOD.

On the same date, Philwater and Trident Water executed a Share Purchase Agreement wherein Philwater agreed to sell 2,691,268,205 of its preferred shares in MWC to Trident Water with a payment term over a five (5)-year period. The purchase of the preferred shares reflects a 39.09% voting stake and 8.19% economic stake in MWC. The purchase price for the preferred shares was set at ₱1.8 per share, resulting in a total purchase price of over ₱4.8 billion. The rights and title to the shares, except voting rights covered by the proxies, which shall be executed upon the execution of the Shareholders’ Agreement, shall not be transferred until all payments are made. Dividends earned by the preferred shares shall continue to be for the account of Philwater until full payment has been made.

The total consideration of ₱4,844.3 million for the preferred shares shall be collected as follows: ₱100.0 million downpayment paid on February 2021; ₱2,372.1 million on or before February 2025; and ₱2,372.1 million on or before February 2026. These amounts, less the downpayment, formed part of the consolidated accounts receivables as of December 31, 2021.



MWC has not issued, and Trident Water has not subscribed, the 820 million common shares subject of the Subscription Agreement pending the completion of the following conditions to closing:

- a. Execution of the Shareholders' Agreement by the Parent Company, Philwater, and Trident Water, and
- b. Compliance with and completion of the mandatory tender offer by Trident Water to the shareholders of MWC as may be required by the SEC.

On April 8, 2021, MWC received the Tender Offer Report from Trident Water to acquire up to 1,118,253,916 common shares of MWC through a tender offer to all shareholders. The tender offer does not include the 866,996,201 common shares held by the Parent Company and its nominees and the 4.0 billion preferred shares held by Philwater and its nominees.

On May 31, 2021, a total of 462,660 common shares of MWC were tendered, accepted and purchased by Trident Water via block sale through the facilities of the PSE.

On June 3, 2021, the Parent Company, together with its wholly-owned subsidiaries, Philwater and ACEIC, and Trident Water executed a Shareholders' Agreement as part of the closing actions for the latter's subscription to common shares in MWC. Additionally, Philwater executed and delivered a proxy in favor of Trident Water for Philwater's 2,691,268,205 preferred shares in MWC (the "Preferred Shares"). Following the completion of the tender offer and execution of the Shareholders' Agreement, Trident Water already owns 870,462,660 common shares of MWC and has voting rights over the 2,691,268,205 preferred shares to be acquired by Trident Water. In addition, PSHI also owns 29,589,500 common shares of MWC. On June 24, 2021, Trident Water acquired 29,589,500 shares of MWC from PSHI. Trident Water already has a total of 900,052,159 shares of MWC.

There were changes in MWC's Board of Directors and Management following the completion of the Tender Offer and issuance of the 820 million shares to Trident Water.

As of December 31, 2021, Trident Water's voting and economic interests in MWC is 52.16% and 27.40%, respectively. The Parent Company's voting interest and combined direct and indirect economic interest in MWC is 31.6% and 30.38%, respectively.

As a result of the foregoing, the Parent Company lost control over MWC, deconsolidated the assets, liabilities and equity accounts of MWC and classified the retained interest in MWC as an Investment in Associate.

MWC accounts have been classified in the Group's consolidated financial statement as of December 31, 2021 as follows:

- a. Balance sheet accounts, which have been presented as assets and liabilities under PFRS 5 as of December 31, 2020, were deconsolidated.
- b. the Parent Company's remaining interest in MWC forms part of the Investment in Associates and Joint Ventures account.
- c. Income statement accounts for the period January 1 to June 3, 2021, continued to be presented as "operations of the segment under PFRS 5"
- d. The Parent Company's share in operating results for the period of June to December 2021 has been reported as part of the "Share in net profit of Associates and Joint Ventures" account in the consolidated statement of income.



The results of MWC for the period ended June 2021 and years ended December 31, 2020 and 2019 are presented below:

	2021	2020	2019
	<i>(In Thousands)</i>		
Revenue from contracts with customer	₱8,150,800	₱20,362,361	₱20,729,630
Cost of services	(2,879,963)	(7,297,793)	(8,223,313)
Gross profit	5,270,837	13,064,568	12,506,317
Operating expenses	(1,496,656)	(4,856,294)	(4,805,302)
Other income (expenses) - net	(717,685)	(1,867,366)	(866,197)
Pre-PFRS 5 impairment loss (Notes 13 and 14)	—	—	(5,574,910)
Loss arising from loss of control*	(2,842,409)	—	—
Reversal of impairment loss (impairment loss) recognized on remeasurement to fair value less costs to sell	—	4,965,295	(33,244,121)
Income (loss) before income tax	214,087	11,306,203	(31,984,213)
Provision for income tax:			
Related to income from ordinary activities for the period	(1,462,281)	(1,509,192)	(2,031,058)
Related to pre-PFRS 5 impairment loss	—	—	1,301,750
Related to remeasurement to fair value less costs to sell	—	—	2,280,028
Related to loss arising from loss of control*	(565,839)	—	—
Net income (loss) from operations of the segment under PFRS 5	(₱1,814,033)	₱9,797,011	(₱30,433,493)

*Includes loss on the sale of Philwater's preferred shares amounting to ₱87.9 million.

The net income attributable to owners of the Parent Company and NCI from continuing and operations of segment under PFRS 5 are as follows:

	2021	2020	2019
	<i>(In Thousands)</i>		
Net Income (Loss) Attributable to:			
Owners of the Parent Company (Note 26)			
From continuing operations	₱28,238,177	₱11,944,679	₱51,149,782
From operations of segment under PFRS 5	(463,994)	5,197,035	(15,870,452)
Non-controlling interest			
From continuing operations	9,612,047	7,528,653	21,266,041
From operations of segment under PFRS 5	(1,350,039)	4,599,975	(14,563,041)
Earnings per share	2021	2020	2019
Basic, net income (loss) from operations of segment under PFRS 5	(₱0.75)	₱8.29	(₱25.25)
Diluted, net income (loss) from operations of segment under PFRS 5	(₱0.74)	₱8.28	(₱25.19)

Upon initial recognition of MWC as an associate, the Group performed the notional purchase price allocation as follows (amounts in thousands):

Assets

Cash and cash equivalents	₱16,308,563
Short-term investments	465,244
Receivables	2,770,192
Inventories	395,654
Other current assets	3,268,943
Investment in associates	14,032,346
Property, plant and equipment	6,112,868

(Forward)



Deferred tax assets	₱1,104,608
Service concession assets - net	106,006,529
Other noncurrent assets	5,733,797
	<u>156,198,744</u>
Liabilities	
Accounts payable	10,273,822
Income tax payable	251,886
Long-term debt	71,228,803
Leasehold liabilities	349,022
Service concession obligation	9,038,743
Contract liabilities	550,565
Provisions	1,003,694
Deferred tax liabilities	211,930
Other noncurrent liabilities	1,154,935
	<u>94,063,400</u>
Net Assets	<u>₱62,135,344</u>
Cost of Acquisition	₱14,808,382
Less: Share in the fair value of net assets	18,875,491
Gain on bargain purchase	<u>₱4,067,109</u>

Gain on bargain purchase amounting to ₱4,067.1 million was booked under “Other Income” account in the consolidated statement of income (see Note 22).

In identifying the fair value of the underlying assets and liabilities, specifically the service concession assets and property, plant and equipment, the Company used discounted cash flows methodology which involve key assumptions such as billed volume, tariff rates and growth rate.

The following are the disaggregation of MWC’s revenue from contracts with customers which forms part of the Group’s operations of the segment under PFRS 5 for the period ended June 2021 and years ended December 31, 2020 and 2019:

2021

	Manila Concession and Head Office	Domestic Subsidiaries	Total
	<i>(In Thousands)</i>		
Revenue from contracts with customers			
Water and sewer	₱6,245,393	₱1,482,549	₱7,727,942
Other operating income	179,667	243,191	422,858
	<u>₱6,425,060</u>	<u>₱1,725,740</u>	<u>₱8,150,800</u>
Timing of revenue recognition			
Revenue recognized over time	₱6,395,169	₱1,684,807	₱8,079,976
Revenue recognized at a point in time	29,891	40,933	70,824
	<u>₱6,425,060</u>	<u>₱1,725,740</u>	<u>₱8,150,800</u>

2020

	Manila Concession and Head Office	Domestic Subsidiaries	Total
	<i>(In Thousands)</i>		
Revenue from contracts with customers			
Water and sewer	₱15,913,347	₱3,603,080	₱19,516,427
Other operating income	212,828	633,106	845,934
	<u>₱16,126,175</u>	<u>₱4,236,186</u>	<u>₱20,362,361</u>
Timing of revenue recognition			
Revenue recognized over time	₱16,035,535	₱4,145,171	20,180,706
Revenue recognized at a point in time	90,640	91,015	181,655
	<u>₱16,126,175</u>	<u>₱4,236,186</u>	<u>₱20,362,361</u>



2019

	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
<i>(In Thousands)</i>				
Revenue from contracts with customers				
Water and sewer	₱12,638,077	₱3,290,741	₱—	₱2,986,337
Environmental charges	2,834,858	151,479	—	2,986,337
Other operating income	102,511	1,699,196	12,768	1,814,475
	₱15,575,446	₱5,141,416	₱12,768	₱20,729,630
Timing of revenue recognition				
Revenue recognized over time	₱15,552,473	₱4,871,953	₱—	20,424,426
Revenue recognized at a point in time	22,973	269,463	12,768	305,204
	₱15,575,446	₱5,141,416	₱12,768	₱20,729,631

In 2019, operating expenses include provision for impairment on receivables amounting to ₱0.1 million and depreciation and amortization on property, plant and equipment, service concession assets and right-of-use assets amounting to ₱3,572.5 million.

In 2019, immediately before the classification of MWC under PFRS 5, the recoverable amount was estimated for service concession assets and goodwill which resulted in impairment loss of ₱5.2 billion and ₱367.9 million, respectively.

Following the reclassification of the assets and liabilities of MWC to assets and liabilities under PFRS 5, the write-down of the following non-financial assets was made to remeasure the carrying amount of the group to fair value less costs to sell (amounts in thousands):

Service Concession Asset	₱25,664,749
Investments in Associates and Joint Ventures	5,739,994
Property, Plant and Equipment	1,701,516
Goodwill	137,862

The loss was recorded under Operations of the segment under PFRS 5 in the consolidated statement of income. Fair value was determined based on the price at which the entity would receive to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As required by PFRS 5, the investment in MWC, which was reclassified as asset held for sale, should be subsequently re-measured at lower of the carrying amount and fair value less costs to sell, and an impairment loss or reversal of impairment loss to the extent of the cumulative impairment loss that has been recognized shall be recorded. A net amount of ₱4,965.3 million remeasurement loss reversal was recognized in 2020 which was allocated as follows (amounts in thousands).

Service Concession Asset	₱4,360,667
Investments in Associates and Joint Ventures	408,723
Property, Plant and Equipment	195,906

The major classes of assets and liabilities of the MWC classified under PFRS 5 as of December 31, 2020 are as follows:

	2020
<i>Assets under PFRS 5</i>	<i>(In Thousands)</i>
Cash and cash equivalents	₱20,800,349
Short-term investments	129,300
Receivables	2,990,506
Contract assets	2,504,480
Inventories	318,148
(Forward)	



	2020
Investments in associates	₱8,954,877
Property, plant and equipment	3,975,525
Service concession assets - net	89,881,148
Right-of-use assets	362,609
Deferred tax assets	1,855,900
Other assets	5,423,341
Total assets under PFRS 5	₱137,196,183
<i>Liabilities under PFRS 5</i>	
Accounts and other payables	₱10,029,669
Contract liabilities	508,751
Lease liabilities	393,937
Service concession obligations	8,969,281
Income tax payable	167,049
Short-term and long-term debt	73,538,023
Pension liabilities	219,602
Deferred tax liabilities	712,224
Other liabilities	1,901,231
Total liabilities under PFRS 5	₱96,439,767

Cash and Cash Equivalents and Short-term Investments

Cash in banks earn interest at the respective bank deposit rates ranging from 0.09% to 0.40%, and 0.05% to 1.20% in 2020, and 2019, respectively. Cash equivalents are highly liquid investments with varying periods of up to three (3) months and earn interest at the respective short-term rates.

Short-term investments pertain to time deposits with maturities of more than three (3) months up to one year and earned interest of 0.13% to 0.88% in 2020.

Receivables

Receivables arise from water and sewer services rendered to residential, commercial, semi-business and industrial customers of MWC Group and are collectible within 30 days from billing date.

Receivables from BWC

Receivables from BWC pertain to the assigned receivables from the share purchase agreement between MWC and Veolia Water Philippines, Inc. (VWPI) related to the acquisition of VWPI's interest in Clark Water Corporation (CWC) in 2011.

The assigned receivable will be paid by BWC at an amount equal to 30% of the product consumed by all of BWC's customers and the tariff imposed by MWC on its customers falling under the corresponding classification pursuant to the Concession Agreement, and all amounts received by BWC as connection fees from customers, and any fee BWC may charge in relation to the interconnection with the wastewater treatment plant of areas of developments outside the BWC service area. The assigned receivable from BWC is interest bearing and MWC Group classifies as current the portion of its gross receivable from BWC that is due within the next twelve (12) months in accordance with the agreed terms.

Interest income earned from receivable from BWC amounted to ₱5.3 million, and ₱27.81 million in 2020 and 2019, respectively.



Contract assets

As of December 31, 2020, contracts assets consists of:

	2020
	(In Thousands)
Contract assets from:	
Supervision fees	₱478,946
Bulk Water Supply Agreement with MCWD	167,468
Pipeworks and integrated used water services	102,058
NRWSA with ZCWD	55,050
Bulk Water Sales and Purchase Agreement with TWD	89,704
Current portion	893,226
Bulk Water Supply Agreement with MCWD	978,944
Bulk Water Sales and Purchase Agreement with TWD	738,951
NRWSA with ZCWD	230,879
Noncurrent portion	1,948,774
	2,842,000
Less allowance for ECL	337,520
	₱2,504,480

Contract assets from supervision fees are initially recognized for revenue earned arising from the provision of design and project management services in the development of water and used water facilities. These contract assets are reclassified to "Accounts and notes receivables" upon acceptance and reaching certain construction milestones for the related water and used water facilities.

Contract assets from pipeworks and integrated used water services are initially recognized for revenue earned arising from water and wastewater network related services. These contract assets are reclassified to "Receivables" upon acceptance of and billings to customers of MWTS and MWT.

Contract assets from the NRWSA with ZCWD are initially recognized for revenue earned arising from construction revenue and performance fees for NRW reduction services. These contract assets are reclassified to "Receivables" upon acceptance of and billing to the customer.

In March 2019, the City Government of Zamboanga City declared a state of calamity due to the recurrence of El Niño. This prompted the ZCWD to implement a service-wide water rationing scheme. Consequently, Zamboanga Water was constrained to suspend its NRW Reduction activities due to the unstable supply caused by said water rationing.

Per Section 1.10 of the NRW RSA, a rebaseline is to be performed if there is a decrease in supply resulting from El Niño. Per agreement with ZCWD Project Management Unit (PMU) in November 2017, the computed NRW cu.m./day prior the rebaseline shall be used as basis for the "locked-in" performance computation. However, a supplemental agreement to formally recognize the computation and payment of "locked-in" performance has not been finalized as of December 31, 2019.

As of December 31, 2019, Zamboanga Water has not billed locked in performance fees amounting to ₱150.9 million. As of December 31, 2020, Zamboanga Water has recognized allowance for ECL on its contract assets with ZCWD amounting to ₱285.9 million (nil in 2019).



Contract assets arising from the Bulk Water Supply Agreement with MCWD and the Bulk Water Sales and Purchase Agreement with TWD consist of the cost of rehabilitation works which will be reclassified to "Receivables" when Cebu Water and Tagum Water completes all performance obligations under its concession arrangements with MCWD and TWD.

In 2020 and 2019, Cebu Water invoked the force majeure clause of its Bulk Water Supply Agreement due to high water turbidity which resulted to intermittent delivery of the required thirty-five (35.00) million liters of water per day to MCWD. As a result, Cebu Water recognized impairment loss amounting to ₱23.29 million in 2020 and ₱1.35 million in 2019.

In 2020, Tagum Water was not able to meet the contractual obligations under the Bulk Water Sales and Purchase Agreement due to the low yield of the Riverbank Filtration Intake structures and delay in the construction of the Artificial Recharge which resulted to intermittent delivery of the required twenty-six (26) million liters of water per day to TWD. As a result, Tagum Water recognized impairment loss amounting to ₱12.4 million in 2020 (nil in 2019).

Inventories

This account consist of water treatment chemicals, water meters and connection supplies, maintenance materials and raw materials and finished goods. These are carried at cost except for maintenance materials, raw materials, and finished goods which are carried at NRV.

Allowance for obsolescence amounted to ₱0.2 million as of December 31, 2020. Loss from inventory obsolescence is presented under operating expenses.

Investments in associates

Details of MWC's investments in associates are as follows:

Thu Duc Water

Thu Duc Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.

On October 12, 2011, TDWH and Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) entered into a share sale and purchase agreement whereby CII will sell to TDWH its 49.00% interest (equivalent to 2.45 million common shares) in Thu Duc Water. On December 8, 2011, TDWH completed the acquisition of CII's interest in the common shares of Thu Duc Water after which TDWH obtained significant influence in Thu Duc Water.

Kenh Dong Water

Kenh Dong Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.

On May 17, 2012, MWC, through KDWH, entered into a sale and purchase agreement with CII for the purchase of 47.35% of CII's interest in Kenh Dong Water. The share purchase transaction was completed on July 20, 2012 and KDWH gained significant influence in Kenh Dong Water.

Saigon Water

Saigon Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam. Saigon Water is listed in the Ho Chi Minh City Stock Exchange.

On October 8, 2013, MWC, through MWSAH, entered into an Investment Agreement for the acquisition of a 31.47% stake in Saigon Water. The share subscription transaction was completed on October 8, 2013 and MWSAH gained significant influence in Saigon Water.

Cu Chi Water Supply Sewerage Company Ltd. (Cu Chi Water)

Cu Chi Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.



On October 10, 2015, MWSAH executed a Capital Transfer Agreement with Saigon Water for the acquisition of 24.50% of the charter capital of Cu Chi Water. Pursuant to the Capital Transfer Agreement, Saigon Water granted a put option to MWSAH and VIAC (No 1) Limited Partnership, another party to the agreement, which option can be exercised upon the occurrence of certain trigger events. As of December 31, 2020, no trigger event has occurred and the value of the put option was determined to be nil.

PT STU

PT STU is incorporated in Indonesia with principal place of business in Semarang, Indonesia. On March 6, 2018, MWC through its wholly-owned subsidiary PT Manila Water Indonesia (PTMWI), acquired 4,478 ordinary shares in PT STU to own twenty percent (20%) of the outstanding capital stock. The acquisition cost of the investment amounted to ₱37.0 million (IDR10.00 billion). The investment in associate account includes a notional goodwill amounting to ₱1.1 million arising from the acquisition of shares of stock in PT STU. Share in net identifiable assets on date of acquisition amounted to ₱35.9 million.

MWC recognized impairment loss amounting to ₱340.6 million and ₱74.3 million in 2020 and 2019, respectively.

Property, plant and equipment

This accounts consist of land, plant and technical equipment, office furniture and equipment, transportation equipment, leasehold improvements and construction in progress.

The net book value of noncash transfers to SCA in 2020 amounted to nil.

Concession Agreement

The movements in this account follow:

	2020
	(In Thousands)
Cost	
Balance at beginning of year	₱143,761,127
Additions:	
Rehabilitation works	10,747,465
Concession fees	755,514
Transfers (Note 9)	—
Local component cost	59,503
Balance at end of year	155,323,609
Accumulated amortization	
Balance at beginning of year	67,453,129
Amortization	2,349,999
Pre-PFRS 5 impairment loss (Note 24)	
Impairment loss (reversal) on remeasurement to fair value less costs to sell (Note 24)	(4,360,667)
Balance at end of year	65,442,461
Net book value	₱89,881,148

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs of MWC, Laguna Water, Boracay Water, Clark Water, Obando Water, Calasiao Water, Bulakan Water, South Luzon Water, Lambunao Water and Aqua Centro (Lambunao Project) pursuant to MWC Group's concession agreements, JVA and septage management agreement (SMA), and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements, JVAs and SMA. As of December 31, 2020, SCA includes assets under construction amounting to ₱27,683.14 million.



MWC Group has concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD, PAGWAD, TnWD, and BuWD. These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period (see Note 36).

Contract assets arising from concession agreements consist of the cost of rehabilitation works covered by the concession agreements of MWC, Laguna Water, Boracay Water, Clark Water, Cebu Water, Obando Water, Bulakan Water, South Luzon Water, Tagum Water and Calasiao Water.

Total interest and other borrowing costs capitalized as part of SCA amounted to ₱1,637.3 million and ₱980.92 million in 2020 and 2019, respectively. The capitalization rates used range from 6.62% to 11.68%, and 4.50% to 7.66% in 2021, 2020 and 2019, respectively.

As of December 31, 2020, noncash acquisitions of SCA amounted to ₱145.24 million.

MWSS Concession Fees

The aggregate concession fees of MWC pursuant to the concession agreement are equal to the sum of the following:

- a. 10% of the aggregate peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;
- b. 10% of the aggregate peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;
- c. 10% of the local component costs and cost overruns related to the UATP;
- d. 100% of the aggregate peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by MWC for continuation; and
- e. 100% of the local component costs and cost overruns related to existing projects;
- f. MWC's share in the repayment of MWSS loan for the financing of new projects; and
- g. One-half of MWSS annual corporate budget.

In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Angat Project). Total loan facility amounted to US\$116.6 million with maturity of twenty (20) years including a 5-year grace period. Interest rate is 3% per annum.

MWSS subsequently entered into a Memorandum of Agreement (MOA) with MWC and Maynilad to equally shoulder the repayment of the loan with such repayment to be part of the concession fees.

On May 12, 2015, MWSS entered into a MOA with the Parent Company and Maynilad for the Angat Water Transmission Improvement Project (Angat Transmission Project). The Angat Transmission Project aims to improve the reliability and security of the raw water coming from the Angat Dam through the rehabilitation of the transmission system from Ipo to La Mesa and the application of water safety, risk and asset management plans. Subsequently, on May 27, 2016, MWSS entered into a loan agreement with Asian Development Bank to finance the Angat Transmission Project. The loan amounts to US\$123.30 million with a maturity of twenty-five (25) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

In 2016, MWC paid MWSS ₱500.0 million as compensation for additional water allocation in the Angat reservoir. The payment made shall be part of the MWC's business plan and shall be considered in the next rate rebasing exercise.



In 2016, MWSS entered into a MOA with the Parent Company and Maynilad which was subsequently amended in 2018 for the New Centennial Water Source - Kaliwa Dam Project (NCWS-KDP). The NCWS-KDP aims to develop a new water source in order to meet the increasing water demand by constructing a dam for MWSS service area's domestic water supply.

To partially finance the NCWS-KDP, MWSS entered into a Preferential Buyer's Credit Loan Agreement with The Export-Import Bank of China in 2018 amounting to US\$211.2 million with a maturity of twenty (20) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

The schedule of undiscounted future concession fee payments follows:

Year	Foreign Currency-Denominated Loans (Translated to US\$)	Peso Loans/ Project Local Support	Total Peso Equivalent*
2021	\$7,545,467	₱395,714,907	₱758,070,869
2022	7,228,510	395,714,907	742,849,643
2023	8,209,469	395,714,907	789,958,237
2024	8,009,162	395,714,907	780,338,894
2025	3,857,667	395,714,906	580,971,648
2026 onwards	77,997,023	4,352,863,974	8,098,515,010
	<u>\$112,847,298</u>	<u>₱6,331,438,508</u>	<u>₱11,750,704,301</u>

*Peso equivalent is translated using the PDEX closing rate as of December 29, 2020 amounting to ₱48.02 to US\$1.

MWC's Revised Concession Agreement with MWSS

On March 31, 2021, MWC and MWSS executed a Revised Concession Agreement (RCA) which has a term of up to July 31, 2037. The RCA shall become effective within six (6) months from March 31, 2021 and upon satisfaction of the conditions precedent.

On September 30, 2021, MWSS and MWC signed the Amendment to the RCA extending its effective date to not later than November 18, 2021 to allow time to complete the pending condition precedent, which are the Revised Common Purpose Facilities Agreement and the Undertaking Letter from the Republic.

Under the RCA, MWSS grants the MWC (as a public utility to perform certain functions and as a public utility for the exercise of certain rights and powers under RA No. 6234), the right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone, including the right to bill and collect for water and sewerage services supplied in the East Zone.

The RCA retains the rate rebasing mechanism under the original Concession Agreement. Thus, the rates for water and sewerage services provided by MWC shall be set at a level that will permit it to recover over the term of the concession expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

The RCA removed the recovery of the corporate income taxes and adjustment for FCDA. It also reduced the inflation factor to 2/3 of the CPI adjustment and imposed caps on increases in standard rates for water (1.3x the previous standard rate) and wastewater (1.5x the previous standard rate). Instead of a market-driven ADR, MWC is now limited to a 12.00% fixed nominal discount rate. The RCA also includes a tariff freeze until December 31, 2022.

As with the original Concession Agreement, legal title to MWSS assets remains with MWSS. On the other hand, legal title to all fixed assets contributed by MWC to the existing MWSS system during the concession remains with MWC. Nevertheless, during each Rate Rebasing Date, MWC is required to submit to MWSS a list of all recovered assets, including all supporting documents. Legal title to these recovered assets shall be transferred to MWSS on or before such Rate Rebasing Date.



As of December 31, 2021, the remaining condition precedent to the effectivity of the RCA is the Undertaking Letter from the Republic.

PGL Concession Fees

Under LAWC's concession agreement with PGL, LAWC is required to pay concession fees to PGL computed as a percentage of water sales as follows:

Operational Period	Percentage of Water Sales
Years 1 to 5	4.00%
Years 6 to 10	3.00%

Seventy percent (70%) of the concession fees shall be applied against any advances made by LAWC to PGL. The remaining thirty percent (30%) of the concession fees shall be payable annually thirty (30) days after the submission of the audited financial statements by LAWC, starting on the first operational period, which begins upon the expiration of the transition period. Advances as of December 31, 2020 amounted to ₱12.02 million.

TIEZA Concession Fees

The aggregate concession fee pursuant to BIWC's concession agreement with TIEZA is equal to the sum of the following:

- a. Servicing the aggregate peso equivalent of all liabilities of BWSS as of commencement date;
- b. 5% of the monthly gross revenue of BIWC, inclusive of all applicable taxes which are for the account of BIWC; and
- c. Payment of annual operating budget of the TIEZA Regulatory Office starting 2010. For 2010 and 2011, the amount shall not exceed ₱15.0 million. For the year 2012 and beyond, BIWC shall pay not more than ₱20.0 million, subject to annual CPI adjustments.

CDC Concession Fees

The aggregate concession fee pursuant to the CWC's concession agreement with CDC is equal to the sum of the following:

- a. Annual franchise fee of ₱1.5 million;
- b. Semi-annual rental fees of ₱2.8 million for leased facilities from CDC.

As a result of the extension of the Concession Agreement of CWC, payment of rental fees on the CDC existing facilities was extended by an additional 15 years from October 1, 2025 to October 1, 2040.

OWD Concession Fees

The aggregate concession fee pursuant to Obando Water's concession agreement with OWD is equal to the sum of the following:

- i. base concession fee which shall be used for operations of the OWD; and
- ii. additional concession fee composed of amounts representing amortization payments for the outstanding obligations of OWD and 2% of the gross annual receipts of Obando Water, representing franchise tax to be paid by the OWD.

On March 28, 2019, LWUA has approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer collect interest and penalties from OWD.

For the year ended December 31, 2020, concession fees recognized as part of SCA arising from the concession agreement with OWD amounted to ₱436.6 million, while concession fees recognized as part of SCO arising from the concession agreement with OWD amounted to ₱392.1 million.



CWD Concession Fees

Under Calasiao Water's concession agreement with CWD, concession fees are based on a fixed schedule of annual payments over the twenty-five (25) year concession period.

BuWD Concession Fees

The aggregate concession fee pursuant to Bulakan Water's concession agreement with BuWD is equal to the sum of the following:

- i. base concession fee which shall be used for operations of the BuWD; and
- ii. additional concession fees composed of:
 - 2.00% of the gross monthly water sales of Bulakan Water,
 - one-time expenditures and payables applicable only for Year 1 of the concession agreement, and
 - an amount equivalent to the monthly consumption of BuWD under a bulk water supply agreement with Luzon Clean Water Development Corporation, including any minimum guaranteed volume consumption.

Any loss or reduction in profit for any given year as a result of the operation of the facilities in the service area of BuWD shall not in any way affect or reduce the payment of the base concession fee.

PAGWAD Revenue Share

Under Laguna Water's JVA with PAGWAD, Laguna Water is required to pay, on a calendar year basis, an annual revenue share, amounting to the higher of:

- i. ₱10.50 million for a twelve (12)-month period or the proportionate amount for those years with less than twelve (12) months (the "base revenue share"); or
- ii. seven percent (7.00%) of the annual gross operating revenues for the immediately preceding year based on the audited financial statements (the "variable revenue share").

The revenue share shall be payable by LWC in advance at the start of the relevant year. The base revenue share shall be payable within fifteen (15) calendar days from the start of the relevant year. In the event the variable revenue share is higher than the base revenue share, the difference between the variable revenue share and the base revenue share shall be payable to PAGWAD within fifteen (15) calendar days after the approval of Laguna Water's audited financial statements.

Subject to the provision of the JVA on EPA, Laguna Water shall increase the revenue share due to PAGWAD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the period of the JVA.

TnWD Fees

Under South Luzon Water's JVA with TnWD, South Luzon Water is required to pay, on an annual basis, a revenue share, amounting to ₱17.50 million subject to an increase of ₱1.00 million every five (5) years, conditioned upon the approval by the TnWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share for the duration of the

<u>Appointment Period</u>	<u>Revenue Share</u>
Years 1 to 5	₱17.50 million
Years 6 to 10	₱18.50 million
Years 11 to 25	₱19.50 million
Years 16 to 20	₱20.50 million
Year 21 to 25	₱21.50 million



LWD Fees

Under Aqua Centro's JVA with LWD, Aqua Centro is required to pay, on a monthly basis, an annual revenue share, amounting to ₱15.75 million, conditioned upon the approval by the LWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share shall no longer be guaranteed and shall be subject to adjustment by mutual agreement and discussion of Aqua Centro and LWD if the tariff adjustment are not secured or obtained from LWUA. The revenue share for the duration of the appointment period:

Appointment Period	Revenue Share
Years 1 to 5	₱15.75 million
Years 6 to 10	₱17.50 million
Years 11 to 25	₱17.50 million
Years 16 to 20	₱17.50 million
Year 21 to 25	₱20.65 million
Years 26 to 30	₱25.75 million
Years 31 to 35	₱35.33 million

Subject to the provision of the JVA on EPA, Aqua Centro shall increase the revenue share due to LWD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the appointment period of the JVA.

CCWD Revenue Share

Under Calbayog Water's JVA with CCWD, Calbayog Water is required to pay, on a monthly basis, an annual revenue share, amounting to ₱18.00 million subject to an increase of ₱1.00 million every five (5) years, conditioned upon the approval by the CCWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share for the duration of the appointment period:

Appointment Period	Revenue Share
Years 1 to 5	₱18.00 million
Years 6 to 10	₱19.00 million
Years 11 to 25	₱20.00 million
Years 16 to 20	₱21.00 million
Year 21 to 25	₱22.00 million
Years 26 to 30	₱25.75 million
Years 31 to 35	₱35.33 million

Subject to the provision of the JVA on EPA, Calbayog Water shall increase the revenue share due to CCWD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the appointment period of the JVA.

MCWD Bulk Water Supply Agreement

On December 13, 2013, Cebu Water received a Notice of Award for the bulk supply of water to the MCWD. In relation to this, Cebu Water and MCWD signed a twenty (20)-year Bulk Water Supply Agreement for the supply of eighteen (18) million liters per day of water for the first year and thirty-five (35) million liters per day of water for years two (2) up to twenty (20).

Concession financial receivable is accounted for in accordance with IFRIC 12, arising from the bulk water contract between Cebu Water and MCWD, whereby the facilities constructed by Cebu Water shall be used for the delivery of potable and treated water to MCWD at an aggregate volume of eighteen (18) million liters per day for the first year and thirty-five (35) million liters per day for the succeeding years up to twenty (20) years at ₱24.59 per cubic meter.

In 2020, Cebu Water invoked the force majeure clause due to high water turbidity which resulted to intermittent delivery of the required thirty-five (35) million liters of water to MCWD.



TWD Bulk Water Sales and Purchase Agreement

The concession financial receivable arising from the Bulk Water Sales and Purchase Agreement (Agreement) between Tagum Water and TWD is accounted for in accordance with IFRIC 12. Under the Agreement, Tagum Water shall construct water treatment facilities which shall be used for the delivery of potable water to TWD at an aggregate volume of twenty-six (26) million liters per day for the 1st to 3rd years; thirty-two (32) million liters per day for the 4th to 6th years; and thirty-eight (38) million liters per day for the remaining years of the agreement. There shall be a tariff rate adjustment of fifteen percent (15%) every three (3) years starting on the 4th year from the Operations Start Date as defined in the Agreement.

Right-of-use assets

MWC Group leases office space, storage and plant facilities, land, and right-of-way wherein it is the lessee. The terms of the lease range from one year or until the end of the concession period.

Amortization of plant facilities used for the construction amounting to ₱13.55 million was capitalized in 2020 (nil in 2019).

Other assets

Deferred FCDA

Deferred FCDA refers to the net unrecovered amounts from (amounts for refund to) customers of MWC Group for realized losses (gains) from payments of foreign loans based on the difference between the drawdown or rebased rate versus the closing rate at payment date. This account also covers the unrealized gains or losses from loan valuations.

In 2020, MWC recognized adjustments to the amounts relative to FCDA recoveries of foreign exchange losses (gains) arising from MWSS and MWC foreign currency loans in accordance with Amendment 1 of the Concession Agreement.

Effective April 1, 2020, a Foreign Currency Differential Adjustment (FCDA) of ₱0.48 per cubic meter was implemented on the water rates of East Zone customers. This adjustment was based on the exchange rate of US\$1.00 to ₱50.767 and JPY1.00 to ₱0.465. The FCDA of the water bill will be adjusted to 1.69% of the 2020 average basic charge of ₱28.52 per cubic meter.

Effective October 1, 2020, an FCDA of ₱0.33 per cubic meter will be implemented on the water rates of East Zone customers. This adjustment was based on the exchange rate of USD1.00 to ₱50.097 and JPY1.00 to ₱0.466. The FCDA of the water bill will be adjusted to 1.77% of the 2020 average basic charge of ₱28.52 per cubic meter.

Water rights

This account pertains to the rights to draw water from the Luyang River, Pampanga River, Abacan River, Pasig-Potrero River, Agno River and Cagayan River. On August 22, 2012, the National Water Resources Board (NWRB) approved the assignment of Water Permit No. 16241 from Central Equity Ventures Inc. (now Stateland Inc.) to MW Consortium which MW Consortium allows CMWDI to use for its project. As of December 31, 2020, CMWDI's water banking right amounted to ₱45.0 million.

In 2020, MWPVI incurred costs to acquire conditional water permits from the NWRB amounting to ₱137.3 million and ₱129.0 million, respectively. A conditional water permit is necessary prior to the issuance of the water permit by NWRB subject to submission of certain requirements, including plans and specifications for the diversion works, pump structure, water measuring device and water distribution system, and environmental compliance certification by the Department of Environmental and Natural Resources, among others. On August 27, 2019, the NWRB granted MWPVI the permit to use water from the Agno River which superseded the conditional water permit granted in 2018. As of December 31, 2020, MWC Group believes that the remaining requirements for the Cagayan River are ministerial and is certain that it will be able to comply with the conditions required.

MWC Group estimates the useful lives of its water rights to be indefinite considering that the water permits remain valid for as long as water is beneficially used.



Accounts and other payables

This account consists of trade payables and accrued expenses which are non-interest bearing and are normally settled on fifteen (15) to sixty (60)-day terms, contractors' payable which pertains to the accrual of expenses which requires MWC Group to pay the contractor based on progress billings, and interest payable which pertains to the unpaid portion of interest arising from the short-term and long-debt debts of MWC Group. Other payables are non-interest bearing and are normally settled within one (1) year.

Contract liabilities

Contract liabilities from supervision fees are initially recognized for advance payments of customers for the provision of design and project management services in the development of water and used water facilities. Contract liabilities are reclassified to "Supervision fees" under "Other operating income" upon completion of performance milestones for these services.

Contract liabilities from connection fees pertain to customer payments for the set-up of a connection from the customer's establishment to the Group's water or sewer network. These are initially recognized at the time of receipt of customer payments and reclassified to "Connection fees from water and service connections" under "Other operating income" upon provision of the related water and sewer services to customers.

Lease liabilities

MWC Group leases office space and storage and plant facilities wherein it is the lessee. The terms of the lease range from one year or until the end of the concession period.

Income tax payable

MWC

Revenue Regulations (RR) No. 16-2008

RR No. 16-2008 provided the implementing guidelines for Section 34 of RA No. 9504 on the use of the OSD for corporations. The OSD allowed shall be an amount not exceeding 40% of the gross income. Gross income earned refers to gross sales or gross revenue derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. This was applied by MWC Group for the year ended December 31, 2019.

The use of Optional Standard Deductions (OSD) as the method of computing tax deductible expenses affected the recognition of several deferred tax assets and liabilities, such that no deferred tax assets and liabilities were recognized on items of income and expenses that are not considered in determining gross income for income tax purposes.

The effective tax rate of 18% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes on the net service concession obligation starting 2008.

In 2020, MWC used itemized deductions in the calculation of its current income tax. The tax rate of 30% was used in computing for the deferred income taxes of MWC as this is the rate that the underlying deferred tax assets or liabilities are expected to be recovered, settled or utilized in the future. As a result of the shift from OSD to itemized deduction, MWC recorded additional deferred income tax assets amounting to ₱1,181.2 million.

Deferred taxes on allowance for ECL and pension liability were not recognized by MWC. The net reduction in deferred tax assets from applying the 18% effective tax rate to the recognized deferred taxes on net service obligation and the derecognition of the deferred taxes relating to the accounts with temporary differences which are not considered in determining gross income for income tax purposes by MWC amounted to ₱274.0 million as of December 31, 2020.



Short-term and Long-term

Short-term debt

₱900.00 million Philippine National Bank (PNB) Short-term Loan

On November 28, 2019, MWC entered into a loan agreement with PNB for a short-term facility amounting to ₱900.00 million. Fixed nominal rate of 5.25% was payable quarterly with principal payable at a bullet in 364 days. On January 31, 2020, MWC made its first and only drawdown amounting to ₱900.00 million. The loan was fully paid as of December 31, 2020.

₱3.00 billion Bank of the Philippines Islands (BPI) Short-term Loan

On March 24, 2020, MWC entered into a loan agreement with BPI amounting to ₱3.00 billion, with interest rates of 5.5% on the first three (3) months, 4.75% on the fourth month, and 3.875% on the last month. The loan was fully paid as of December 31, 2020.

Long-term debt - Foreign Currency Debt

MWMP Loan

On October 2, 2012, MWC entered into a Subsidiary Loan Agreement with LBP under the Metro Manila Wastewater Management Project (MWMP) with the World Bank. The loan has a term of 25 years and was made available in US Dollars in the aggregated principal amount of US\$137.5 million via semiannual installments after the 7-year grace period. MWC made four drawdowns in 2015 aggregating to US\$22.6 million (₱1,123.7 million) and three drawdowns in 2016 aggregating to US\$17.5 million (₱868.1 million). In 2017, MWC made an additional three drawdowns with a total amount of US\$22.4 million (₱1,118.4 million). In 2018, MWC made additional drawdown amounting to US\$8.9 million (₱468.0 million). In 2019, the MWC made an additional four (4) drawdowns amounting to US\$41.68 million (₱2,095.2 million). The carrying value of the MWMP loan as of December 31, 2020 is US\$126.5 million (₱6,074.6 million).

NEXI Loan

On October 21, 2010, MWC entered into a term loan agreement (NEXI Loan) amounting to US\$150.0 million to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndicate of four banks - ING N.V Tokyo, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation and is insured by Nippon Export and Investment Insurance. First, second and third drawdowns of the loan amounted to US\$84.0 million, US\$30.0 million and US\$36.0 million, respectively. The carrying value of this loan as of December 31, 2020 is nil.

JPY40.0 billion loan

On September 30, 2015, MWC signed a 7-year JPY40.0 billion term loan facility with three international banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Banking Corporation to finance MWC's capital expenditures. MWC made its first drawdown on March 9, 2016 amounting to JPY13.4 billion (₱5.7 billion). In 2017, MWC made two additional drawdowns totaling JPY 26.6 billion (₱11.7 billion). MWC did not make any drawdown in 2018. The loan's carrying value as of December 31, 2020 is JPY10,212.0 million (₱4,727.1 million).

MSTP Loan

On October 20, 2005, MWC entered into a Subsidiary Loan Agreement with LBP to finance the improvement of the sewerage and sanitation conditions in the East Zone. The loan has a term of 17 years and was made available in Japanese Yen in the aggregate principal amount of JPY6.6 billion payable via semi-annual installments after the 5-year grace period.

MWC made its last drawdown on October 26, 2012. The total drawn amount for the loan is JPY4.0 billion. As of December 31, 2020, outstanding balance of the LBP loan amounted to JPY507.5 million (₱234.9 million).



BOC Loan

On August 27, 2019, MWC entered into a syndicated loan agreement amounting to €250.00 million to fund the capital investment program for 2019 to 2021. The loan will be prepaid in eight (8) installments starting April 2023 and is financed by a syndicate of two banks namely Bank of China (Hong Kong) Limited and Bank of China Limited, Manila Branch. MWC has made a drawdown amounting to €40.00 million in 2019 and €90.00 million in 2020. The carrying value of the loan as of December 31, 2020 amounted to €133.6 million (₱7,530.8 million).

MWTC

THB5.30 billion loan

On February 27, 2019, MWTC signed a THB5.30 billion, five (5)-year term loan facility with Mizuho Bank Ltd. – Bangkok Branch and Bank of Ayudhya Public Company Limited to take out the previous bridge loan used to finance the acquisition of an 18.72% equity stake in East Water. This loan bears interest of BIBOR plus margin and is guaranteed by the MWC. The carrying value of the loan as of December 31, 2020 amounted to THB5,278.6 million (₱8,455.7 million).

MWC Parent Company - US\$500 million 4.375% 10 Non-call 5-year Senior Unsecured Fixed Rate Sustainability Notes

On July 22, 2020, MWC announced its plan to issue an offering of USD-denominated senior unsecured notes, which qualify as ASEAN sustainability bonds. Proceeds from the issuance of the bond are intended to refinance debt and finance programmed capital expenditures for 2020 to 2021, pursuant to the Sustainability Financing Framework (SFF) which MWC recently established; proceeds are targeted towards financing projects related to:

1. Sustainable water and wastewater management,
2. Terrestrial and aquatic biodiversity conservation, and
3. Affordable basic infrastructure categories.

The MWC's SFF is aligned with the Green Bond Principles 2018 and Social Bond Principles 2018 and likewise complies with the ASEAN Sustainability Bond Standards and SEC Memorandum Circular No. 8, s 2019.

On July 23, 2020, MWC successfully issued the USD500 million ASEAN sustainability bonds, debuting in the international debt capital markets. MWC is the first Philippine Corporate to issue an ASEAN sustainability bond. Equally important, this issuance is the single largest green, social or sustainability bond issued by a listed private water utility in Asia. The 10-year bond was priced at 99.002 with a coupon rate of 4.375% per annum p.a. payable in equal installments semi-annually in arrear, on January 30 and July 30 of each year.

The successful bond issuance enables the Parent Company to diversify its fund sources, to refinance maturing obligations, as well as fund its committed water and wastewater infrastructure projects in the East Zone concession. The carrying value of the bonds as of December 31, 2020 amounted to US\$489.25 million (₱23,495.1 million).

Long-term debt - Philippine Peso Debt

MWC Parent Company

On August 16, 2013, MWC entered into a Credit Facility Agreement with a local bank having a fixed nominal rate of 4.42% and with a term of 7 year from the issue date which is payable annually. MWC may repay the whole and not a part only of the loan starting on the 3rd anniversary of the drawdown date of such loan or on any interest payment date thereafter. The carrying value of the loan as of December 31, 2020 amounted to nil.

₱5.0 billion PNB Loan

On May 11, 2018, MWC signed a ₱5.0 billion, 10-year term loan facility with a local bank. The loan will be used to finance general corporate requirements and capital investment programs in the Manila Concession as well as to refinance existing concessionaire loans. The carrying value of the loan as of December 31, 2020 amounted to ₱3,852.0 million.



Fixed Rate Corporate Notes

On April 8, 2011, MWC issued ₱10.0 billion FXCN with ₱5.0 billion having a term of five (5) years (Five-Year FXCN Note) from the issue date and the other ₱5.0 billion with a term of ten (10) years (Ten-Year FXCN Note) from the issue date which is both payable quarterly. MWC may repay the whole and not a part only of the Ten-Year FXCN Notes on the 7th anniversary of the drawdown date of such FXCN Note or on any FXCN interest payment date thereafter.

On April 8, 2016, MWC prepaid the outstanding balance of the Five-Year FXCN Note. The carrying value of the FXCN as of December 31, 2020 amounted to nil.

₱5.00 billion BDO Loan

On November 13, 2019, MWC signed a ₱5.00 billion, five (5) year term, revolver loan facility with BDO Unibank with principal payable at bullet after sixty (60) months. The loan will be used for the expansion and improvement of the water source, distribution and sewerage systems, and other general corporate requirements as well as to refinance existing concessionaire loans. MWC has made two (2) drawdowns amounting to ₱3,800 million in 2019. The carrying value of the loan as of December 31, 2020 amounted to ₱4,970.8 million.

Amendments to Omnibus Agreements, Intercreditor Agreement and Loan Agreements

On July 17, 2008, MWC, together with all of its Lenders signed an Omnibus Amendment Agreement and Intercreditor Agreement and these agreements became effective on September 30, 2008.

Prior to the execution of the Omnibus Amendment Agreement, the obligation of MWC to pay amounts due and owing committed to be repaid to the lenders under the existing facility agreements were secured by Assignment of Interest by Way of Security executed by MWC in favor of a trustee acting on behalf of the lenders. The Assignments were also subject to the provisions of the Amended and Restated Intercreditor Agreement dated March 1, 2004 and its Amendatory Agreement dated December 15, 2005 executed by MWC, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released MWC from the assignment of its present and future fixed assets, receivables and present and future bank accounts, all the Project Documents (except for the Agreement, Technical Corrections Agreement and the Department of Finance Undertaking Letter), all insurance policies where MWC is the beneficiary and performance bonds posted in its favor by contractors or suppliers.

In consideration for the release of the assignment of the above-mentioned assets, MWC agreed not to create, assume, incur, permit or suffer to exist, any mortgage, lien, pledge, security interest, charge, encumbrance or other preferential arrangement of any kind, upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or upon or with respect to any right to receive income, subject only to some legal exceptions. The lenders shall continue to enjoy their rights and privileges as Concessionaire Lenders (as defined under the Agreement), which include the right to appoint a qualified replacement operator and the right to receive payments and/or other consideration pursuant to the Agreement in case of a default of either MWC or MWSS. Currently, all lenders of MWC Group are considered Concessionaire Lenders and are on *pari passu* status with one another.

In November and December 2014, MWC Group signed Amendment Agreements to its loan agreements with its existing lenders. This effectively relaxed certain provisions in the loan agreements providing MWC Group more operational and financial flexibility. The loan amendments include the shift to the use of MWC Group from consolidated financial statements for the purposes of calculating the financial covenant ratios, the increase in maximum debt to equity ratio to 3:1 from 2:1 and the standardization of the definition of debt service coverage ratio at a minimum of 1.2:1 across all loan agreements.



LAWC

On September 7, 2010, LAWC, entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to LAWC up to ₱500.0 million, principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. The carrying value of this loan amounted to nil as of December 31, 2020.

On April 29, 2013, LAWC entered into a loan agreement with Development Bank of the Philippines (DBP) to partially finance the modernization and expansion of the water network system and water supply facilities in Biñan, Sta. Rosa and Cabuyao, Laguna. Under the agreement, the lender has agreed to provide a loan to the borrower through the Philippine Water Revolving Fund (PWRF) in the aggregate principal amount of up to ₱500.0 million bearing an effective interest rate of 7.29%. The carrying value of this loan as of December 31, 2020 amounted to ₱374.3 million.

On January 9, 2014, LAWC exercised its option to avail of the second tranche of its loan agreement with DBP to finance its water network and supply projects, including the development of a well-field network on the Biñan, Sta. Rosa area of Laguna. Under the expanded facility agreement, DBP provided additional loans to LAWC in the aggregate principal amount of ₱833.0 million. The carrying value of the loans amounted to ₱642.5 million as of December 31, 2020, respectively.

On October 23, 2015, LAWC entered into a loan agreement with a local bank to finance the modernization and expansion of its water network system and water supply facilities throughout the province of Laguna. Under the loan agreement, the lender agreed to provide a loan to the borrower in the aggregate principal amount of up to ₱2.5 billion for an applicable fixed interest rate, as determined in respect of each drawdown. The carrying value of the loan amounted to ₱1,912.8 million as of December 31, 2020.

On March 29, 2017, LAWC entered into a loan agreement with Grand Challenges Canada to fund the project during the period beginning on the effective date of the loan agreement and ending on the project end date of March 31, 2018 for up to an aggregate principal amount of CA\$0.87 million (₱34.7 million). The project supported by the loan is the "Bundling water and sanitation services for the poor in informal urban communities." As of December 31, 2020, the carrying value of the loan amounted to CAD0.87 million (₱32.6 million).

On June 28, 2019, LWC signed a ten (10)-year term loan facility amounting to ₱2.50 billion with . The loan will be used to partially finance LWC's capital expenditure program. The first drawdown was made in July 2019 amounting to ₱200.00 million bearing an effective interest rate of 6.06%. The second drawdown was made in December 2019 amounting to ₱500.00 million bearing effective interest rates of 6.05%. The carrying value of the loan amounted to ₱1,093.1 million as of December 31, 2020.

BIWC

On July 29, 2011, BIWC, entered into an omnibus loan and security agreement with DBP and a local bank to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and waste water services for the Service Area under the Concession Agreement, as well as the operation and maintenance of the completed drainage system. The loan shall not exceed the principal amount of ₱500.0 million and is payable in twenty (20) years inclusive of a three (3)-year grace period.

Sub-tranche 1

The loan shall be available in three sub-tranches, as follows:

- Sub-tranche 1A, the loan in the amount of ₱250.0 million to be provided by DBP and funded through PWRF;
- Sub-tranche 1B, the loan in the amount of ₱125.0 million to be provided by a local bank and funded through PWRF; and
- Sub-tranche 1C, the loan in the amount of ₱125.0 million to be provided by a local bank and funded through its internally-generated funds.



The carrying value of the loan as of December 31, 2020 amounted to ₱325.4 million.

Sub-tranche 2

The Agreement provided BIWC the option to borrow additional loans from the lenders. On November 14, 2012, BIWC entered into the second omnibus loan and security agreement with DBP and a local bank. The agreed aggregate principal of the loan amounted to ₱500.0 million which is available in three sub-tranches:

- Sub-tranche 2A, the loan in the amount of ₱250.0 million to be provided by DBP and funded through PWRP
- Sub-tranche 2B, the loan in the amount of ₱125.0 million to be provided by a local bank and funded through PWRP
- Sub-tranche 2C, the loan in the amount of ₱125.0 million to be provided by a local bank and funded through BIWC's internally-generated funds.

The carrying value of the loan as of December 31, 2020 amounted to ₱324.0 million.

Sub-tranche 3

On October 9, 2014, BIWC signed a Third Omnibus Loan and Security Agreement in the amount of ₱650.0 million with SBC to fund capital expenditures related to water and sewerage services in the concession area of BIWC. The carrying value of loan as of December 31, 2020 amounted to ₱576.9 million.

Omnibus Loan and Security Agreement –BPI

On December 20, 2017, BIWC signed a Fourth Omnibus Loan and Security Agreement in the amount of ₱2.4 billion with the BPI. The loan will be used to finance the general corporate and capital expenditures requirements of BIWC. BIWC made its first drawdown on April 30, 2018 amounting to ₱250.0 million. The second drawdown was made on September 25, 2018 amounting to ₱250.0 million. The third drawdown was made on December 20, 2018 amounting to ₱100.0 million. The carrying value of loan as of December 31, 2020 amounted to ₱1,240.1 million.

CWC

On April 10, 2015, CWC entered into a loan agreement with a local bank, whereby the bank extended credit to CWC for up to ₱1.2 billion to partially finance its concession capital expenditures program. Under the agreement, the loan bears interest at a rate of 6.179% and principal payments will be made in forty eight (48) consecutive equal quarterly installments starting July 2018. The carrying value of the loan amounted to ₱929.1 million as of December 31, 2020.

On March 11, 2019, CWC signed a term loan agreement amounting to ₱535.00 million with the Development Bank of the Philippines. The proceeds of the loan will be used to partially finance CWC's capital expenditure programs. The first and second drawdowns on this loan were made on March 22, 2019 and December 20, 2019, amounting to ₱100.00 million and ₱80.00 million, respectively. The carrying value of the loan amounted to ₱317.5 million as of December 31, 2020.

CMWD

On December 19, 2013, the CMWD entered into an omnibus loan and security agreement (the Agreement) with DBP to partially finance the construction works in relation to its bulk water supply project in Cebu, Philippines. The lender has agreed to extend a loan facility in the aggregate principal amount of ₱800.0 million or up to 70% of the total project cost whichever is lower. Principal payments will be made in twenty (20) equal quarterly installments starting December 2017. The carrying value of the loan as of December 31, 2020 amounted to ₱568.7 million.



MWPVI

On October 5, 2016, MWPVI signed a 15-year fixed rate term loan facility amounting to ₱4.0 billion with various domestic banks. The terms of the loan include an option to increase the size of the facility to a maximum of ₱7.0 billion. The proceeds of the loan will be used to finance MWPVI's capital expenditures, future acquisitions and other general corporate requirements.

On February 24, 2017, MWPVI made a bridge loan drawdown amounting to ₱150.00 million each from SBC and Metrobank. These bridge loans had a fixed rate of 2.75% and a 119-day term. On June 23, 2017, these bridge loans were rolled-over for additional 180 days with a rate of 2.90%, repriced monthly. On November 9, 2017, MWPVI repaid its ₱300.0 million bridge loan and made the first drawdown on its loan facility amounting to ₱450.00 million from each bank.

On October 5 and December 19, 2018, MWPVI made its subsequent drawdowns amounting to ₱50.00 million and ₱175.00 million from each bank, respectively. In 2019, MWPVI made additional drawdowns totaling to ₱800.00 million from each bank. The carrying value of the loan as of December 31, 2020 amounted to ₱5,461.7 million.

These loan drawdowns have a term of thirteen (13) to fifteen (15) years, with interest payable semi-annually and principal repayments starting on November 9, 2022.

MWPVI has exercised its option to borrow an additional ₱3.00 billion under the Greenshoe Option of the OLSA with Security Bank Corporation and Metropolitan Bank and Trust Company, Inc. MWPVI signed the Second OLSA on May 22, 2020 and made the first drawdown of ₱750 million from each lender. The proceeds of the loan will be used to finance MWPVI's capital expenditures, existing projects of subsidiaries or equity investments, and other general corporate requirements.

TWC

On October 6, 2016, TWC signed an Omnibus Loan and Security Agreement in the amount of ₱450.0 million. The proceeds of the loan will be used to partially finance the construction works in relation to Tagum Bulk Water Supply Project. Nominal interest is at 5.30% per annum, payable quarterly. Principal payments will be made in forty-eight (48) equal quarterly installments starting December 2020.

On September 25, 2017, April 18 and November 23, 2018, TWC made its subsequent drawdowns amounting to ₱130.0 million, ₱120.0 million and ₱154.0 million, respectively. The carrying value of the loan as of December 31, 2020 amounted to ₱401.9 million.

Pension liabilities

The MWC, Clark Water, Laguna Water, Boracay Water and MWPVI have funded a noncontributory defined benefit pension plans covering substantially all of their respective regular employees. The benefits are based on current salaries and years of service and compensation as of the last year of employment. The latest actuarial valuations were made on December 31, 2020.

Other liabilities

Deferred credits

This pertains to the unamortized discounts of the customers' guaranty deposits.

Customers' guaranty deposits and other deposits

Pertain to the deposits paid by the customers for the set-up of new connections which will be refunded to the customers upon termination of the customers' water service connections or at the end of the concession, whichever comes first.



Reserves

The reserves under PFRS 5 pertain to MWC reserves as follows:

	2020
<i>Reserves under PFRS 5</i>	<i>(In Thousands)</i>
Remeasurement losses on defined benefit plans	(P40,542)
Fair value reserve of financial assets at fair value through OCI	(671)
Cumulative translation adjustments	(13,134)
Equity reserve	(1,501,217)
Total reserves under PFRS 5	(P1,555,564)

Stock Option Purchase Plans

Executive Stock Option Plan (Executive SOP), Expanded Executive SOP and ESOWN

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule.

To enjoy the rights provided for in the ESOWN, the grantee should be with MWC at the time the holding period expires. The Holding Period of the ESOWN shares follows: 40%, 30% and 30% from one year, two years and three years from subscription date, respectively.

For the unsubscribed shares of the ESOWN grants in 2013 and 2012, the employee still has the option to subscribe within seven (7) years.

On March 6, 2018, the Remuneration Committee of MWC's BOD approved the grants of ESOWN equivalent to 16,054,873 shares at the subscription price of P27.31 per share. The subscription price is equivalent to the average closing price of MWC's common shares at the PSE for twenty (20) consecutive trading days ending March 6, 2018.

For the 2013 and previous years' grants, the ESOWN grantees were allowed to subscribe fully or partially to whatever allocation may have been granted to them. In case of partial subscriptions, the employees are still allowed to subscribe to the remaining unsubscribed shares granted to them provided that this would be made at the start of Year 5 from grant date up to the end of Year 6. Any additional subscription made by the employee (after the initial subscription) will be subjected to another three (3)-year holding period. For the 2018 and 2015 grants, unsubscribed shares were forfeited.

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Dates		
	March 7, 2018	February 10, 2015	November 19, 2013
Number of shares granted	16,054,873	7,281,647	6,627,100
Number of unsubscribed shares	5,161,140	884,873	351,680
Fair value of each option	P5.74	P11.58	P10.58
Weighted average share price	P26.55	P21.35	P23.00
Exercise price	P27.31	P26.00	P22.92
Expected volatility	24.92%	26.53%	24.90%
Dividend yield	2.80%	2.55%	3.47%
Risk-free interest rate	3.43%	3.79%	2.99%
Expected life of option	45 days	4 years	4 years



Movements in the number of stock options outstanding under ESOWN as of December 31, 2019 is as follows:

	2019	Weighted average exercise price
At January 1	₱131,600	₱23.49
Cancelled	(131,600)	—
At December 31	₱—	₱23.49

There were no additional stock options in 2020. Total expense arising from equity-settled share-based payment transactions of MWC (included under “General and administrative expenses”) amounted to ₱18.8 million and ₱20.2 million in 2020 and 2019.

The expected life of the options is based on management’s estimate and is not necessarily indicative of exercise patterns that may occur. MWC’s expected volatility was used as an input in the valuation of the outstanding options. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily reflect the actual outcome.

No other features of the options granted were incorporated into the measurement of fair value.

As of December 31, 2020, MWC reclassified the following business units as operations under PFRS 5:

Healthy Family Business Division (MWTS-HF)

On August 26, 2020, MWTS announced the permanent closure of its MWTS-HF effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations. While MWTS-HF, launched in 2015, has made strong efforts to improve operations and profitability, the ever-increasing competition in the bottled water industry and the recent economic challenges have proved too difficult to cope and keep the business afloat. MWTS, as an entity, shall continue to exist and operate based on its primary purpose to engage in water and wastewater and environmental services.

Zamboanga Water

On April 30, 2020, Zamboanga Water approved the termination of the NRW RSA. Such termination, however, is without prejudice to Zamboanga Water’s claims against ZCWD and remedies under the NRW RSA.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRW RSA.

As of December 31, 2020, total assets and liabilities of MWTS-HF and Zamboana Water amounted to ₱97.6 million and ₱112.6 million, respectively

Financial Instruments

Foreign exchange risk

The MWC Group’s foreign exchange risk results primarily from movements of the PHP against the US\$ and JPY. Majority of revenues are generated in PHP, and substantially all capital expenditures are also in PHP. Approximately 68.90% of debt as of December 31, 2020, was denominated in foreign currency.



Liquidity risk

MWC Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and debentures. MWC Group's policy is to maintain a level of cash that is sufficient to fund its operating cash requirements for the next four (4) to six (6) months and any claim for refund of customers' guaranty deposits. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through internal cash generation.

Credit risk

MWC Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by MWC Group's established policy, procedures and control relating to customer credit risk management. Credit risk for receivables from customers is managed primarily through credit reviews and an analysis of receivables on a continuous basis. MWC Group has no significant concentration of credit risk. Outstanding customer receivables and contract assets are regularly monitored and customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

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 for groupings of customer segments with similar loss patterns (i.e., by geographical region, and product type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on MWC Group's historical observed default rates. MWC Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written-off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Provisions

On October 13, 2005, the Municipality of Norzagaray, Bulacan assessed the Parent Company and Maynilad Water Services, Inc. (jointly, the Concessionaires) real property taxes on certain common purpose facilities registered in the name of and owned by MWSS purportedly due from 1998 to 2005 amounting to 357.11 million. On November 15, 2010, the local government of Quezon City demanded the payment of 302.71 million for deficiency real property taxes from MWSS on MWSS properties within its territorial jurisdiction. The assessments from the municipality of Norzagaray and Quezon City have been questioned by the Concessionaires and MWSS and are pending resolution before the Central Board of Assessment Appeals and Supreme Court, respectively. On November 7, 2018, the Supreme Court issued its decision declaring that the real properties of the MWSS located in Quezon City are exempt from the real estate tax imposed by the local government of Quezon City. Total provision for these assessments amounted to nil as of December 31, 2019.

As of December 31, 2020 and 2019, the remaining provision for estimated probable losses pertains to various legal proceedings and exposures arise in the ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters will not have a material adverse effect on the Group's financial position or operating results



Cash Flows

The net cash flows of MWC are as follows:

	2021	2020
		(In Thousands)
Operating	₱4,199,291	(₱609,983)
Investing	(1,999,262)	(1,192,548)
Financing	(6,691,815)	13,571,545
Net cash outflow/inflow	(₱4,491,786)	₱11,769,014

Commitments

MWC's Concession Agreement (the "Agreement")

On February 21, 1997, MWC entered into a Concession Agreement (the Concession Agreement) with MWSS, a government corporation organized and existing pursuant to Republic Act (RA) No. 6234, as amended, with respect to the MWSS East Zone (East Zone). The Concession Agreement sets forth the rights and obligations of MWC throughout a 25-year concession period. MWSS Regulatory Office (MWSS-RO) monitors and reviews the performance of each of the Concessionaires - MWC and Maynilad Water Services, Inc. (Maynilad), the West Zone Concessionaire.

Under the Concession Agreement, MWSS grants MWC (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under RA No. 6234) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone for a period of 25 years commencing on August 1, 1997 (the Commencement Date) up to May 6, 2022 (the Expiration Date) or the early termination date as the case may be. While MWC has the right to manage, operate, repair and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to the existing MWSS system by MWC during the Concession remains with MWC until the Expiration Date (or until the early termination date) at which time all rights, titles and interest in such assets will automatically vest in MWSS.

On Commencement Date, MWC officially took over the operations of the East Zone and rehabilitation works for the service area commenced immediately thereafter. As provided in MWC's project plans, operational commercial capacity will be attained upon substantial completion of the rehabilitation work.

Under the Agreement, MWC is entitled to the following rate adjustments:

- a. Annual standard rate adjustment to compensate for increases in the consumer price index (CPI);
- b. Extraordinary price adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Concession Agreement;
- c. FCDA to recover foreign exchange losses including accruals and carrying costs thereof arising from MWSS loans and any Concessionaire loans used for capital expenditures and concession fee payments, in accordance with the provisions set forth in Amendment No. 1 of the Concession Agreement dated October 12, 2001; and
- d. Rebasing Convergence Adjustment for the purposes of calculating the Rates Adjustment Limit for each of the five Charging Years of the Rebasing Period determined based on the following:
 - i. where the Rebasing Adjustment is found to be positive, the Rebasing Convergence Adjustment for the first Charging Year of the Rate Rebasing Period shall be equal to the Rebasing Adjustment, and the Rebasing Convergence Adjustment for each of the following four (4) Charging Years shall be zero; and



- ii. where the Rebasing Adjustment is found to be negative, the Rebasing Adjustment for each of the five (5) Charging Years of the Rebasing Period shall be equal to the Rebasing Adjustment divided by five (5).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in the Concession Agreement. The Concession Agreement also provides a general rate setting policy for rates chargeable by MWC for water and sewerage services as follows:

1. For the period through the second Rate Rebasing date (January 1, 2008), the maximum rates chargeable by MWC (subject to interim adjustments) are set out in the Concession Agreement.
2. From and after the second Rate Rebasing date, the rates for water and sewerage services shall be set at a level that will permit MWC to recover, over the 25-year term of the concession, its investment including operating, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on MWSS loans and MWC's loans incurred to finance such expenditures, and to earn a rate of return equal to the appropriate discount rate (ADR) on these expenditures for the remaining term of the concession.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five (5)-year intervals commencing on the second Rate Rebasing date, provided that the MWSS-RO may exercise its discretion to make a general adjustment of such rates.

On April 16, 2009, the MWSS Board of Trustees passed Resolution No. 2009-072 approving the 15-year extension of the Concession Agreement (the Extension) from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (DOF), by authority from the office of the President of the Republic of the Philippines, on October 23, 2009. The significant commitments under the Extension follow:

- a. To mitigate tariff increases such that there will be reduction of the balance of the approved 2008 rebased tariff by 66%, zero increase of the rebased tariff in 2009 and a ₱1.00 increase for years 2010 to 2016, subject to CPI and FCDA adjustments.
- b. To increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2009.
- c. To increase the total investments from the approved ₱187.00 billion for the periods 2008 to 2022 to ₱450.00 billion for 2008 to 2037.

With the approval of the Extension, the recovery period for MWC's investment is now extended by another 15 years from 2022 to 2037.

On December 5, 2019, MWSS BOT issued Resolution No. 2019-201-CO revoking Resolution No. 2009-072 dated April 16, 2009 pertaining to the Extension of the Concession Agreement of the Parent Company from May 7, 2022 to May 6, 2037.

On December 20, 2019, MWSS released a press statement clarifying Resolution No. 2019-201-CO and confirming that the action of MWSS BOT did not result in the rescission or outright cancellation of the Concession Agreement.

On January 29, 2020, MWC received a response letter from the MWSS RO confirming that the twenty-five (25)-year Concession Agreement from 1997 to 2022 and the Memorandum of Agreement and Confirmation between MWC and the MWSS providing for the fifteen (15)-year Extension from 2022 to 2037 have not yet been cancelled.



Rate Rebasing Tariff Adjustments

In March 2012, MWC submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The rate rebasing activity is done every five (5) years. MWSS conducted a review of the proposal including MWC's last five (5) years' financial performance. The financial review process extended up to the third quarter of 2013. On September 10, 2013, MWSS-RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% on MWC's 2012 average basic water rate of ₱24.57 per cubic meter shall be implemented in 5 equal tranches of negative 5.894% per charging year. MWC objected to the MWSS' Rate Rebasing determination and formally filed its Dispute Notice on September 24, 2013, before a duly-constituted Appeals Panel, commencing the arbitration process, as provided under Section 12 (in relation to Section 9.4 of the Concession Agreement).

On December 10, 2013, MWSS Board of Trustees, through MWSS-RO Resolution No. 13-012 CA, approved the implementation of a status quo for MWC's Standard Rates including FCDA until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.

On April 21, 2015, MWC received the final award of the Appeals Panel in the arbitration which final award included the following tariff component determination:

- a. ₱28.1 billion Opening Cash Position (OCP) which restored ₱11.0 billion from the September 2013 OCP determination of MWSS of ₱17.1 billion;
- b. ₱199.6 billion capital expenditures and concession fees which restores ₱29.5 billion from the September 2013 future capital and concession fee expenditure of ₱170.1 billion;
- c. 7.61% Appropriate Discount Rate (ADR) which was an improvement of 79 bps from the post-tax ADR of 6.82% in September 2013; and
- d. Exclusion of corporate income tax from cash flows beginning January 1, 2013.

Consequently, the final award resulted in a rate rebasing adjustment for the period 2013 to 2017 of negative 11.05% on the 2012 basic average water charge of ₱25.07 per cubic meter. This adjustment translates to a decrease of ₱2.77 per cubic meter from the tariff during the intervening years before the 2018 rate rebasing. Annual CPI adjustments and the quarterly FCDA will continue to be made consistent with the MWC Group's Concession Agreement with MWSS.

On September 27, 2018, the MWSS BOT (MWSS Resolution No. 2018-145-RO) approved the MWC Group's Rebasing Adjustment for the Fifth Rate Rebasing Period (2018 to 2022) as recommended by the MWSS-RO (MWSS-RO Resolution No. 2018-10-CA). To mitigate the impact on the tariff of its customers, MWC shall stagger its implementation over a five-year period. The first tranche took effect on October 16, 2018 amounting to ₱1.46 per cubic meter or 5.70% of the pre-rebased 2017 basic tariff. MWSS BOT also approved the implementation of the subsequent partial Rebasing Convergence Adjustment on a staggered basis as scheduled below:

- ₱2.00 on January 1, 2020,
- ₱2.00 on January 1, 2021, and
- ₱0.76 on January 1, 2022

On December 13, 2018, MWSS BOT (MWSS Resolution No. 2018-190-RO) approved MWC's implementation of the 5.70% CPI Adjustment to be applied to the 2018 average basic charge of ₱26.98 per cubic meter and the 2.62% FCDA to be applied to the 2019 average basic charge. These adjustments are recommended by MWSS-RO (MWSS-RO Resolution No. 2018-12-CA) and took effect on January 1, 2019.

Effective January 1, 2022, subject to the validation of MWSS RO of the feasibility and cost of Wawa Bulk Water Source to Calawis Project as MWC's medium term water source, an additional partial Rebasing Convergence Adjustment of up to ₱0.28 per cubic meter on top of the basic partial Rebasing Convergence Adjustment" of ₱0.76 per cubic meter, as approved by MWSS BOT on September 27, 2018.



On March 31, 2021, the Revised Concession Agreement was signed between the Parent Company and MWSS, which includes a tariff freeze until December 31, 2022.

Arbitration under the United Nations Commission on International Trade Law (UNCITRAL) Rules (1976)

On April 23, 2015, the MWC served on the Republic of the Philippines (the "Republic"), through the Department of Finance, its Notice of Claim of even date demanding that the Republic indemnify MWC in accordance with the indemnity clauses in the Republic's Letter Undertaking dated July 31, 1997 and Letter Undertaking dated October 19, 2009.

MWC asserted that the Republic interfered with the specific mechanism contained in Article 9.4 (General Rate Setting Policy/Rate Rebasing Determination) of the Concession Agreement thereby causing the impairment of the MWC's rate of return.

On November 29, 2019, the MWC received from its legal counsel the Award (the "Award") rendered by the Arbitral Tribunal (the "Tribunal") in the arbitration proceedings between MWC and the Republic constituted under the Permanent Court of Arbitration, with proceedings held in Singapore.

The Tribunal ruled that MWC has a right to indemnification for actual losses suffered by it on account of the Republic's breach of its obligation. The Tribunal ordered the Republic to indemnify MWC the amount of ₱7.39 billion representing the actual losses it suffered from June 1, 2015 to November 22, 2019 and to pay 100% of the amounts paid by MWC to the Permanent Court of Arbitration and 85% of the MWC's other claimed costs.

On December 11, 2019, during the meeting of the Committee on Good Government and Public Accountability and the Committee on Public Accounts of the House of Representatives, the MWC's President and Chief Executive Officer made the following pronouncements in deference to President Rodrigo Roa Duterte:

- The MWC will not collect the ₱7.39 billion Award rendered by the Tribunal in the arbitration proceedings between MWC and the Republic.
- The MWC will defer implementation of the Approved Rate Adjustment effective January 1, 2020 and has signed its intention to establish a suitable arrangement with the MWSS.
- The MWC has agreed to and started discussions with the MWSS on the provisions of the Concession Agreement identified for renegotiation and amendment.

As of December 31, 2020, MWC has yet to formally receive a copy of the proposed revisions to the Concession Agreement.

FCDA

Prior to November 18, 2021, the MWSS Board of Trustees approves the FCDA adjustment quarterly. The FCDA has no impact on the net income of MWC, as the same is a recovery or refund mechanism of foreign exchange losses or gains. The following FCDA adjustments and their related foreign exchange basis took effect in 2019 to 2021.

Approval Date	Effective Date	FCDA	Foreign Exchange Rate Basis
December 14, 2018	January 1, 2019	₱0.75 per cubic meter	USD1: ₱53.94 / JPY1: ₱0.48
March 6, 2019	April 1, 2019	₱0.52 per cubic meter	USD1: ₱52.77 / JPY1: ₱0.47
September 26, 2019	October 13, 2019	₱0.69 per cubic meter	USD1: ₱52.41 / JPY1: ₱0.47
March 11, 2020	April 1, 2020	₱0.48 per cubic meter	USD1: ₱50.77 / JPY1: ₱0.47 / EUR1: ₱56.36
September 14, 2020	October 1, 2020	₱0.33 per cubic meter	USD1: ₱50.10 / JPY1: ₱0.47 / EUR1: ₱56.37
December 1, 2020	January 1, 2021	₱0.19 per cubic meter	USD1: ₱48.51 / JPY1: ₱0.46 / EUR1: ₱57.22
February 24, 2021	April 1, 2021	₱0.24 per cubic meter	USD1: ₱48.06 / JPY1: ₱0.46



There were no FCDA adjustments for the third quarters of 2019 as the MWSS BOT did not approve the adjustments until the fourth quarter of 2019. On May 29, 2020, the MWSS BOT approved a FCDA adjustment for the third quarter of 2020 similar to the prevailing FCDA adjustment for the second quarter of 2020 of ₱0.48 per cubic meter which had no impact on customer bills. There were no further FCDA adjustments approved from February 24, 2021. The RCA signed on March 31, 2021 also removed the FCDA mechanism.

On October 28, 2021, the MWSS BOT approved the recommendation of the MWSS RO to remove the FCDA from MWC's customer bills beginning November 18, 2021, the initial effectivity date of the RCA. Beginning November 18, 2021, the FCDA was no longer applied to water rates of the MWC's East Zone customers.

The significant commitments of MWC under the Concession Agreement and Extension are as follows:

- a. To pay MWSS concession fees;
- b. To post a performance bond, bank guarantee or other security acceptable to MWSS in favor of MWSS as a bond for the full and prompt performance of the MWC Group's obligations under the Agreement. The aggregate amounts drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates are set out below.

Rate Rebasing Period	Aggregate amount drawable under performance bond (in US\$ millions)
First (August 1, 1997 - December 31, 2002)	US\$70.00
Second (January 1, 2003 - December 31, 2007)	70.00
Third (January 1, 2008 - December 31, 2012)	60.00
Fourth (January 1, 2013 - December 31, 2017)	60.00
Fifth (January 1, 2018 - December 31, 2022)	50.00
Sixth (January 1, 2023 - December 31, 2027)	50.00
Seventh (January 1, 2028 - December 31, 2032)	50.00
Eighth (January 1, 2033 - May 6, 2037)	50.00

Within 30 days from the commencement of each renewal date, MWC Company shall cause the performance bond to be reinstated in the full amount set forth above as applicable for that year. With a minimum of 10-day written notice to MWC, MWSS may make one or more drawings under the performance bond relating to a Rate Rebasing Period to cover amounts due to MWSS during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Appeals Panel for adjudication until the Appeals Panel has handed down its decision on the matter.

In the event that any amount payable to MWSS by MWC is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid;

- c. With the Extension, MWC agreed to increase its annual share in MWSS operating budget by 100% from ₱100.0 million to ₱395.0 million, subject to annual CPI;
- d. To meet certain specific commitments in respect of the provision of water and sewerage services in the East Zone, unless deferred by MWSS-RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;



- e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the East Zone is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with MWC);
- f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third party property;
- g. To ensure that at all times, MWC has sufficient financial, material and personnel resources available to meet its obligations under the Agreement; and
- h. To ensure that no debt or liability that would mature after the life of the Agreement will be incurred unless with the approval of MWSS.

MWC is committed to perform its obligations under the Concession Agreement and Extension to safeguard its continued right to operate the Concession.

LAWC's Concession Agreement

On April 9, 2002, LAWC entered into a concession agreement (as amended on March 31, 2004, July 22, 2009, and June 30, 2015) with PGL, a local government unit organized and existing under Philippine Laws.

Under the terms of the concession agreement, the PGL grants LAWC (as contractor and as agent for the exercise of certain rights in Laguna) the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services to specific areas for an operational period of 25 years which commenced on October 20, 2004.

While LAWC has the right to manage, occupy, operate, repair, maintain, decommission and refurbish specified PGL facilities, legal title to these assets remains with PGL. Legal title to all assets procured by LAWC in the performance of its obligations under the agreement remains with LAWC and shall not pass to PGL until the end of the concession period at which time, LAWC will transfer, or if the ownership is vested in another person, cause the transfer to PGL. LAWC has the exclusive rights to provide water services in the service areas specified in the concession agreement. Concession fees set forth in the concession agreement are computed as a percentage of revenue from water services.

Seventy percent (70%) of the concession fees are applied against any advances made by LAWC to PGL. The remaining thirty percent (30%) of the concession fees are payable annually 30 days after the submission of the audited financial statements by LAWC, from the start of the operational period.

On June 30, 2015, LAWC and the PGL signed an amendment to the concession agreement which expands the concession area to cover all cities and municipalities in the province of Laguna, as well as the service obligation to include the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

In connection with the amendment to the concession agreement, the Sangguniang Bayan of the municipality of Calauan, Laguna approved the resolution allowing LAWC to provide water and wastewater services to the municipality of Calauan.

Furthermore, the concession period's commencement date was amended to mean the later of either: (i) three (3) years from the takeover date (i.e., October 20, 2004); or (ii) availment by at least 25,000 customers of the services (i.e., September 30, 2010). The concession period is deemed to have commenced on September 30, 2010 and shall end on September 30, 2035.



On August 23, 2017, the Sangguniang Bayan of Victoria, Laguna, has approved the inclusion of its municipality within the service area of Laguna Water, pursuant to the expansion of the service area of Laguna Water under its amended concession agreement with PGL.

On May 3, 2018, the concession agreement was amended to include the approval of Environmental Charge amounting to twenty percent (20%) of the water tariff for wastewater services, desludging services, and other environmental-related costs which was implemented on September 22, 2018.

Laguna Water implemented a tariff adjustment of 10% on December 1, 2018.

In view of the Provisional Authority and Provisional Water Tariff issued by the National Water Resources Board (NWRB) on September 28, 2021, Laguna Water implemented an average of 10.00% tariff increase across all customer rate categories effective November 1, 2021 (for residential, institutional and few commercial accounts) and December 1, 2021 (for the remaining commercial and industrial accounts). Upon implementation, varying rates on tariff increases were applied to each customer category depending on its current rate and NWRB's customer classification.

The significant commitments of LAWC under its concession agreement with PGL are as follows:

- a. To pay PGL concession fees;
- b. To manage, occupy, operate, repair, maintain, decommission, and refurbish the transferred facilities;
- c. To design, construct and commission the new facilities during the cooperation period;
- d. To provide and manage the services;
- e. To bill and collect payment from the customer for all services;
- f. To extract raw water exclusively from all sources of raw water; and
- g. To negotiate in good faith with PGL any amendment or supplement to the concession agreement to establish, operate and maintain wastewater facilities if doing such is financially and economically feasible.

Simultaneous to the signing of the amendment to the joint venture agreement between PGL and MWPVI on June 30, 2015, and consequent to the amendment of the joint venture agreement of LAWC, LAWC signed an amendment to its concession agreement with the PGL which includes the following:

- a) Expansion of its concession area to cover all cities and municipalities in the PGL; and
- b) Inclusion in the service obligations of LAWC the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

BIWC's Concession Agreement

On December 17, 2009, BIWC entered into a concession agreement with TIEZA, formerly Philippine Tourism Authority (PTA). The concession agreement sets forth the rights and obligations of BIWC as concessionaire throughout the 25-year concession period. The TIEZA Regulatory Office will monitor and review the performance of the concessionaire throughout the concession period.

Under the concession agreement, TIEZA grants BIWC the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the entire Boracay Island. The legal title to all fixed assets contributed to the existing TIEZA system by BIWC during the concession remains with BIWC until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in TIEZA.



On January 1, 2010, BIWC officially took over the operations of the service area. Rehabilitation works for the service area commenced immediately thereafter. As provided in BIWC's project plans, operational commercial capacity will be attained upon completion of the rehabilitation works. Under its concession agreement, BIWC is entitled to the following rate adjustments:

- a. Annual standard rate adjustment to compensate for increases in the consumer CPI;
- b. EPA to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the concession agreement; and
- c. FCDA to recover foreign exchange losses including accruals and carrying costs thereof arising from TIEZA loans and any loans used for capital expenditures and concession fee payments.

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence adjustment as defined in BIWC's concession agreement.

The rate rebasing date is set every 5 years starting January 1, 2011. Hence, the first rate rebasing period commenced on January 1, 2010 and ended on December 31, 2010 and, in the case of subsequent rate rebasing periods, the period commencing on the last rate rebasing date and ending on December 31 of the fifth year thereafter.

On June 7, 2017, TIEZA approved the new water rates of BIWC which is equivalent to an increase of 57.83% from its existing rate to be implemented on a staggered basis for a period of three (3) years with an increase of 30.14%, 11.99% and 10.79% in 2017, 2018 and 2019, respectively. The first tranche of tariff increase was implemented on July 1, 2017.

On December 15, 2017, TIEZA approved Boracay Water's implementation of the second tranche of tariff increase of 15.53% effective January 1, 2018.

On August 1, 2018, TIEZA-RO approved the suspension of the 14.34% downward adjustment, which resulted to the implementation of 0.00% FCDA effective August 17, 2018.

On December 18, 2018, TIEZA approved Boracay Water's implementation of the third tranche of tariff increase equivalent to 18.08% of the basic water and sewer charge, inclusive of CPI, arising from its 2017 rate rebasing. Furthermore, a 3.00% increase shall be applied to the basic water and sewer charge to account for FCDA. The new rates shall take effect on January 1, 2019.

BIWC's concession agreement also provides a general rate setting policy for rates chargeable by BIWC for water and sewerage services as follows:

- a. For the period through the second rate rebasing date (January 1, 2016), the maximum rates chargeable by BIWC (subject to interim adjustments) are set out in the Agreement; and
- b. From and after the second rate rebasing date, the rates for water and sewerage services shall be set at a level that will permit BIWC to recover, over the 25-year term of its concession, its investment including operating expenses, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on the TIEZA loans incurred to finance such expenditures, and to earn a rate of return on these expenditures for the remaining term of the concession in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five-year intervals commencing on the second rate rebasing date, provided that the TIEZA may exercise its discretion to make a general adjustment of such rates.



Also part of the concession agreement, BIWC assumed certain property and equipment of BIWC Sewerage System (BWSS), as well as its outstanding loan from Japan International Cooperation Agency (JICA), considered as part of its TIEZA loans under the concession agreement, and regulatory costs.

As a result of the above terms of the concession agreement, BIWC recognized a total of ₱986.9 million service concession assets on commencement date. It includes the JICA loan assumed by BIWC, regulatory costs, construction costs for the improvement and expansion of the water and wastewater facilities and the advanced concession fees.

The significant commitments of BIWC under its concession agreement with TIEZA are as follows:

- a. To meet certain specific commitments in respect of the provision of water and sewerage services in the service area, unless deferred by the TIEZA Regulatory Office (TIEZA-RO) due to unforeseen circumstances or modified as a result of rate rebasing exercise;
- b. To pay concession fees, subject to the following provisions:
 - i. Assumption of all liabilities of the BWSS as of commencement date and service such liabilities as they fall due. BWSS has jurisdiction, supervision and control over all waterworks and sewerage systems within Boracay Island prior to commencement date. The servicing of such liabilities shall be applied to the concession fees;
 - ii. Payment of an amount equivalent to 5% of the monthly gross revenue of BIWC, inclusive of all applicable taxes. Such payments shall be subject to adjustment based on the gross revenue of BIWC as reflected in its separate financial statements;
 - iii. Provision of the amount of the TIEZA BOD's approved budget in 2012, payable semi-annually and not exceeding:

Month	Maximum Amount
January	₱10,000,000
July	10,000,000

- iv. Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:

Year	Maximum Amount
2011	₱15,000,000
2012	20,000,000
2013 and beyond	Previous year, subject to annual CPI adjustment

- c. To establish, at Boracay Island, a TIEZA-RO building with staff house, the cost of which should be reasonable and prudent;
- d. To pay an incentive fee pegged at ₱1.00 per tourist, local and foreign, entering the service area;
- e. To raise financing for the improvement and expansion of the BWSS water and wastewater facilities;



- f. To operate, maintain, repair, improve, renew and, as appropriate, decommission facilities, as well as to operate and maintain the drainage system upon its completion, in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the service area is capable of meeting the service obligations (as such obligations may be revised from time to time by the TIEZA-RO following consultation with BIWC);
- g. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third party property; and
- h. To ensure that at all times, BIWC has sufficient financial, material and personnel resources available to meet its obligations under the concession agreement.

In addition, MWC, as the main proponent of BIWC shall post a bank security in the amount of US\$2.50 million to secure MWC's and BIWC's performance of their respective obligations under the agreement. The amount of the performance security shall be reduced by MWC following the schedule below:

Rate Rebasing Period	Amount of Performance Security (in US\$ millions)
First	US\$2.50
Second	2.50
Third	1.10
Fourth	1.10
Fifth	1.10

On or before the start of each year, BIWC shall cause the performance security to be reinstated in the full amount set forth as applicable for that year.

With a minimum of ten (10) days written notice period to BIWC, TIEZA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to TIEZA during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Arbitration Panel for adjudication until the Arbitration Panel has handed its decision on the matter.

In the event that any amount payable to TIEZA by BIWC is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid.

Failure of BIWC to perform any of its obligations that is deemed material by TIEZA-RO may cause the concession agreement to be terminated.

CWC's Concession Agreement

On March 16, 2000, Vivendi Water Philippines, Inc., which subsequently changed its name to Veolia Water Philippines, Inc (VWPI), entered into a concession agreement with CDC, a government corporation organized and existing under Executive Order No. 80, series of 1993. The concession agreement sets out the terms and conditions under which VWPI will finance, design, construct, operate and maintain the water and sewerage system inside the Clark Freeport Zone (CFZ) commencing on October 1, 2000 and ending on the date falling 25 years thereafter or as may be extended by the terms of the concession agreement. As the implementing arm of the Bases Conversion Development Authority and the regulatory and development body for the CFZ, CDC has the power and authority to regulate and monitor the performance and compliance of VWPI, or its assignee, with its obligations under the concession agreement.



On September 1, 2000, in accordance with the terms of the concession agreement, VWPI assigned its rights and obligations under the concession agreement to CWC by virtue of an assignment and assumption agreement between VWPI and CWC. As consideration for the grant of the concession and franchise to develop, operate and maintain the water and sewerage system within the CFZ, CWC pays CDC an annual franchise fee of ₱1.50 million. Any new construction, change, alteration, addition or improvement on the facilities is permitted to the extent allowed under the agreement with CDC or with the prior written consent of CDC. Legal title, free of all liens and encumbrances, to improvements made or introduced by CWC on the facilities as well as title to new facilities procured by CWC in the performance of its obligations under the concession agreement shall automatically pass to CDC on the date when the concession period expires or the date of receipt of a validly served termination notice, in the latter case, subject to payment of the amount due as termination payments as defined in the concession agreement.

On September 29, 2000, CDC leased in favor of CWC the existing facilities in compliance with the condition precedent to the effectivity of and the respective obligations of CWC and CDC under the concession agreement. Under the lease agreement, CWC was required to make a rental deposit amounting to ₱2.8 million equivalent to six months lease rental and a performance security amounting to ₱6.7 million to ensure the faithful compliance of CWC with the terms and conditions of the lease agreement. CWC pays semi-annual rental fees of ₱2.8 million amounting to a total of ₱138.3 million for the entire concession period. The lease term shall be co-terminus with the concession period unless sooner terminated for any of the reasons specified in the concession agreement.

On August 15, 2014, the CWC and CDC signed an amendment agreement to the concession agreement dated March 16, 2000. The Amendment provides for the following:

- a. Extension of the original concession period for another 15 years up to October 1, 2040;
- b. Additional investment of ₱4.0 billion provided under the amended concession agreement to be spent for further improvement and expansion water and waste water services in the area. Investment requirement under the original concession agreement amounted to ₱3.0 billion and the amended concession agreement required an additional investment of ₱2.0 billion. Total investment prior to the amendment of the concession agreement amounted to ₱1.0 billion;
- c. Introduction of rate rebasing mechanism for every four years starting 2014;
- d. Reduction in tariff rates by 3.9% (from ₱25.63/m³ to ₱24.63/m³) effective September 1, 2014, subject to the Extraordinary Price Adjustment; and
- e. Increase in tariff rates by:
 - ₱0.41/m³ (from ₱24.63/m³ to ₱25.04/m³) in 2018
 - ₱0.42/m³ (from ₱25.04/m³ to ₱25.45/m³) in 2019
 - ₱0.42/m³ (from ₱25.45/m³ to ₱25.87/m³) in 2020
 - ₱0.43/m³ (from ₱25.87/m³ to ₱26.30/m³) in 2021

As a result of the extension of the concession period, service concession assets and service concession obligation as of August 15, 2014 increased by ₱56.6 million. Further, the recovery period of the CWC's investment is now extended by another 15 years from 2025 to 2040.

On May 26, 2017, CWC submitted its proposed 2018 rate rebasing plan following the four (4)-year rebasing period stated in the concession agreement. As of December 31, 2020, Clark Water's 2018 rate rebasing is still ongoing which put on hold the approved tariff increases when the concession agreement was amended in August 15, 2014.



The significant commitments of CWC under its concession agreement with CDC are follows:

- a. To pay franchise and rental fees of CDC;
- b. Finance, design, and construct new facilities - defined as any improvement and extension works to (i) all existing facilities - defined as all fixed and movable assets specifically listed in the concession agreement; (ii) construction work - defined as the scope of construction work set out in the concession agreement; and (iii) other new works that do not constitute refurbishment or repair of existing facilities undertaken after commencement date;
- c. Manage, exclusively possess, occupy, operate, repair, maintain, decommission and refurbish the existing facilities, except for the private deep wells set out in the concession agreement, the negotiations for the acquisition and control of which shall be the sole responsibility and for the account of the CWC; and manage, own, operate, repair, maintain, decommission and refurbish the new facilities;
- d. Treat raw water and wastewater in CSEZ;
- e. Provide and manage all water and wastewater related services like assisting locator of relocating of pipes and assess internal leaks;
- f. Bill and collect payment from the customers for the services (with the exception of SM City Clark). SM City Clark has been carved out by virtue of Republic Act 9400 effective 2007 even if it is located within the franchise area; and
- g. Extract raw water exclusively from all sources of raw water including all catchment areas, watersheds, springs, wells and reservoirs in CFZ free of charge by CDC.

MW Consortium Agreement with PGC

On March 21, 2012, MW Consortium signed a joint investment agreement with the PGC for the formation of a joint venture company with 51% and 49% equity participation for MW Consortium and the PGC, respectively. Under the joint investment agreement, the parties agreed to develop and operate a bulk water supply system that will supply 35.0 million liters of water per day to target areas in the province of Cebu with the joint venture company serving as a bulk water supplier. The term of the agreement is 30 years starting March 2012 and renewable for another 25 years. MW Consortium and the PGC incorporated Cebu Manila Water Development, Inc. (CMWDI), with an ownership of 51% and 49%, respectively, pursuant to the joint investment agreement.

On December 13, 2013, CMWDI received a Notice of Award for the bulk supply of water to the MCWD. On December 18, 2013, CMWDI and MCWD signed a 20-year Bulk Water Supply Contract for the supply of 18.0 million liters per day of water for the first year and 35.00 million liters per day of water for years 2 up to 20. CMWDI delivered its initial 18.0 million liters per day bulk water supply to MCWD on January 5, 2015. CMWDI will increase its bulk water delivery to 35.0 million liters per day in 2016.

On August 29, 2019, MW Consortium received a Notice of Breach/Default of the JIA from the PGC. On December 10, 2019, PGC issued a Notice of Termination of the JIA. Pursuant to the JIA, MW Consortium issued a Notice of Existence of a Dispute on PGC on December 12, 2019, which triggered the dispute resolution mechanism under the JIA, and prevented the termination from taking effect.

On February 3, 2020, MW Consortium and the PGC signed the Terms of Reference for the interim protocol between both parties pending Settlement with Finality of the Dispute between MW Consortium and PGC.



As of December 31, 2021, the parties are still engaged in negotiations towards the settlement of the dispute.

Bulk Water Supply Agreement with MCWD

On December 18, 2013, CMWD entered into a bulk water supply agreement with MCWD. The significant commitments of CMWD under its agreement with MCWD are as follows:

- a. Provide potable and treated water at an aggregate volume of 18,000 cubic meters per day for the first year and 35,000 cubic meters per day for the succeeding years up to 20 years at ₱24.59 per cubic meter;
- b. Ensure that the source shall be sustainable and 100% reliable at any day the duration of the agreement; and
- c. Construct a facility capable of delivering a production capacity of 35,000 cubic meters per day and maintain the same on its account.

ZWC's Concession Arrangement

On December 19, 2014, the MWC Group received a notice from the ZCWD awarding the project for NRW reduction in Zamboanga City, Zamboanga. On January 30, 2015, the MWC Group and ZCWD signed and executed a JVA in relation to the NRW reduction project in Zamboanga City. On April 10, 2015, the MWC Group and ZCWD incorporated ZWC to implement the NRW project.

On June 2, 2015, ZWC entered into a NRWSA with ZCWD. Under the NRWSA, ZCWD grants ZWC the right to implement Network Restructuring and NRW Reduction Programs for ZCWD's water distribution system.

In March 2019, the City Government of Zamboanga City declared a state of calamity due to the recurrence of El Niño. This prompted the ZCWD to implement a service-wide water rationing scheme. Consequently, Zamboanga Water was constrained to suspend its NRW Reduction activities due to the unstable supply caused by said water rationing.

In October 2019, Zamboanga Water and ZCWD jointly formed a Technical Working Group to negotiate and resolve all the pending issues or disputes arising during the implementation of the NRW Reduction Project.

Per Section 1.10 of the NRWSA, a rebaseline is to be performed if there is a decrease in supply resulting from El Niño. Per agreement with ZCWD Project Management Unit (PMU) in November 2017, the computed NRW cu.m./day prior the rebaseline shall be used as basis for the "locked-in" performance computation. However, a supplemental agreement to formally recognize the computation and payment of "locked-in" performance has not been finalized as of December 31, 2019.

On April 3, 2020, ZWC received a letter, dated April 1, 2020, from the Zamboanga City Water District (ZCWD), requesting for the termination of the NRWSA. In its letter, ZCWD indicated that the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the District Metered Areas (DMAs) established by ZWC has rendered the NRWSA impractical and unworkable, and thus, in the interest of fiscal responsibility and sound management of government funds, ZCWD requested for the termination of the NRWSA.

On April 30, 2020, ZWC approved the termination of the NRWSA. Such termination, however, is without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWSA.

On September 16, 2020, ZWC filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRWSA.

As of December 31, 2020, the arbitration is currently ongoing.



Bulk Water Supply Agreements between Davao Water and Tagum Water District (TWD)

On July 28, 2015, the TWD awarded the Tagum City Bulk Water Supply Project to Davao del Norte Water Infrastructure Company, Inc. (Davao Water), the joint venture company of MWC and iWater, Inc.

On October 15, 2015, Davao Water has signed and executed a Joint Venture Agreement (JVA) with TWD. The JVA governs the relationship of Davao Water and TWD as joint venture partners in the Tagum Bulk Water Project. Pursuant to the JVA, Davao Water and the TWD caused the incorporation of a joint venture company, namely, TWC, which shall implement the Tagum Bulk Water Project for fifteen (15) years from the Operations Start Date as defined in the JVA.

On February 26, 2016, Tagum Water and TWD signed and executed a Bulk Water Sales and Purchase Agreement for the supply of bulk water to TWD for a period of fifteen (15) years, subject to renewal upon mutual agreement by both parties. Tagum Water shall supply treated water exclusively to TWD. The quantity of treated water to be supplied to TWD will be 26.00 million liters of water per day for the first year, 32.00 million liters of water per day for years 4 to 6, and 38.00 million liters of water per day for years 7 to 15.

On June 26, 2019, TWD approved a 120-day construction period extension requested by Tagum Water due to delays caused by unforeseen conditions in the project site which was discovered only after construction had already commence.

On July 17, 2019, Tagum Water issued to TWD the Certificate of Substantial Completion of the Water Treatment plant to begin the pre-commissioning period. On August 27, 2019, Tagum Water started the commissioning period with 5.00 to 8.00 million liters per day of treated water delivery to TWD.

On September 9, 2019, Tagum Water BOD ratified the implementation of the design, supply of materials, installation of equipment and construction of two (2) units 300mm shallow wells in Tagum City, Davao del Norte. On October 28, 2019, Tagum Water informed TWD of the completion of the two (2) wells and the results of the water quality analysis.

On December 11, 2019, Tagum Water commenced the extension of the commissioning period for 120-days with the consent of TWD BOD.

On February 7, 2020, the Tagum Water BOD finalized the approval of the additional capital expenditure in the amount of ₱154.00 million.

On April 4, 2020, the extended commissioning period has concluded. However, the operation started only on May 18, 2020 due to COVID-19 quarantine measures in the region.

TWC will have the sole and exclusive right and responsibility during the term of the agreement to:

- a. Develop raw surface water sources in Hijo River;
- b. Plan, develop, design, build and test the facilities;
- c. Implement the Project;
- d. Manage, use, occupy, operate, repair, maintain, upgrade and develop the facilities; and
- e. Supply treated water to TWD for distribution to its network.

Facilities and any and all assets, equipment and properties used by TWC to implement the bulk water project will be owned by TWC even after the expiration of the BWSPA.

TWD issued a Notice of Award for the Construction of Wells 3 and 4 amounting to ₱27.00 million dated January 9, 2020, Notice of Award for the Construction of Artificial Recharge amounting to ₱75.00 million dated February 21, 2020, and Notice of Award for the Interim Wells Generator sets amounting to ₱11.00 million last March 29, 2020.



A Notice of Award on the variation order for the construction of an additional Cofferd Dam on Design and Build of Artificial Recharge amounting to ₱4.27 million was issued last June 23, 2020.

MWPVI's Memorandum of Agreement (MOA) with ALI Group

On January 15, 2016, MWPVI entered into a MOA with ALI Group, whereby MWPVI shall exclusively provide water and used water services and facilities to all property development projects of the ALI Group.

MWPVI Memorandum of Agreement (MOA) with SM Group

On December 8, 2016, MWPVI entered into a similar MOA with each of SM Prime Holdings Inc.'s and the latter's affiliates and subsidiaries, SM Development Corporation and SM Residences Corp. (collectively, the SM Group). Pursuant to the MOA, MWPVI will provide the water and/or used water services and facilities to the property development projects of the SM Group identified in each of the MOA.

On October 5, 2017, Aqua Centro was incorporated to handle property development projects, other than those within the ALI Group, by engaging in the development, improvement, maintenance, and expansion of water, sewerage, wastewater, and drainage facilities, and provide services necessary or incidental thereto.

On December 28, 2017, MWPVI entered into a Novation Agreement with the SM Group and Aqua Centro to transfer its rights, duties and obligations to provide water and/or used water services and facilities to the property development projects of the SM Group to Aqua Centro, effective from the inception of the MOA.

As of December 31, 2020 and 2019, Aqua Centro and MWPVI has eight (8) and one (1) signed MOAs with the SM Group, respectively.

Calasiao Water's Concession Agreement with CWD

On December 9, 2016, MWC received a Notice of Award from the CWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system of the CWD in Calasiao, Pangasinan.

On June 19, 2017, MWC signed a JVA with CWD which will govern the relationship of the two in undertaking the joint venture project. Under the JVA, MWC and CWD shall cause the incorporation of a joint venture company where MWC and CWD shall own 90.00% and 10.00%, respectively, of the outstanding capital stock.

On August 2, 2017, the SEC approved the incorporation of Calasiao Water Company, Inc.

On October 23, 2017, Calasiao Water and CWD signed and executed a concession agreement. Under the concession agreement, the CWD grants Calasiao Water, (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564) the sole right to develop, manage, operate, maintain, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery in the entire Municipality of Calasiao for a period of twenty five (25) years commencing on December 29, 2017 (the Commencement Date) until December 29, 2042 (the Expiration Date) or the early termination date as the case may be. While Calasiao Water has the right to manage, operate, repair, and refurbish specified CWD facilities in the service area, legal title to these assets remains with the CWD. The legal title to all fixed assets contributed to the existing CWD system by Calasiao Water during the concession remains with Calasiao Water until the Expiration Date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in CWD.



Under the concession agreement, in the event that one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by the CWD.

The ground for EPA means any of the following circumstances:

- a. change in law or change in the interpretation of the terms of the concession agreement;
- b. extraordinary cost incurred due to prolonged force majeure;
- c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed; or
- d. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.

The significant commitments of Calasiao Water under its concession agreement with CWD are as follows:

- a. To finance, design, engineer, and construct new facilities for water and sanitation;
- b. To upgrade existing water and sanitation facilities;
- c. To operate, manage, and maintain water and sanitation facilities and services; and
- d. To bill and collect tariff for water and sanitation services.

Management, Operation, and Maintenance Contract (MOMC) with the National Water Company (NWC)

On December 3, 2020, the Consortium of Saur SAS, Miahona Company, and MWC signed a MOMC with the National Water Company (NWC), Kingdom of Saudi Arabia for the latter's North West Cluster. The MOMC will comprise the management, operations, and maintenance of the water and wastewater facilities of the North West Cluster (Madinah and Tabuk) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the cluster and achieve the key performance indicators target set by the NWC.

On April 1, 2021, the implementation of the MOMC officially commenced. The implementation of the MOMC will be done through the Consortium's Project Company, International Water Partners Company (IWP), a mixed capital limited liability company incorporated under the laws of the Kingdom of Saudi Arabia by Saur Saudi Arabia Ltd., Miahona Company and Manila Water Asia Pacific Pte. Ltd with equity shareholdings of 40%, 40% and 20%, respectively.

The MOMC aims to improve water and wastewater services, operational performance and the level of operations in the distribution sector of the Kingdom in general, and at the North Western Cluster in particular, as well as training and developing of personnel to improve performance, sustainability and quality of service.

On June 15, 2021, MWAP subscribed to 100 shares of IWP representing 20.00% for SAR0.10 million (P1.28 million).

MWC's MOMC with NWC, Kingdom of Saudi Arabia for the Eastern Cluster

On October 8, 2021, the Consortium's Project Company, IWP, has been awarded the MOMC of the NWC, Kingdom of Saudi Arabia for its Eastern Cluster. The MOMC will comprise the management, operations and maintenance of the water and wastewater facilities of the Eastern Cluster (i.e., Dammam, Al Hofuf, Al Jubail, Al Khobar, Al Qatif and Hafar Al Batin) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the Eastern Cluster and achieve the Key Performance Indicators target set by the NWC.

The award comes after the commencement of the MOMC for the North West Cluster (i.e., Madinah and Tabuk), which was also awarded to IWP.



MWPVI APA with Asian Land and Incorporation of Bulacan MWPV Development Corp. (BMDC)

On January 4, 2017, MWPVI entered into an APA with Asian Land to acquire and operate the latter's assets used in the water business operations in Asian Land's developments in the province of Bulacan. The intention of MWPVI was to assign the rights under the APA to its wholly owned subsidiary upon its incorporation.

On April 11, 2017, BMDC was incorporated to design, construct, rehabilitate, maintain, operate, finance, expand, and manage water supply system and sanitation facilities. BMDC is the ultimate entity that will own and operate the assets acquired from Asian Land.

On July 31, 2017, MWPVI assigned all its rights and obligations on the APA to BMDC, a wholly-owned subsidiary of MWPVI, under a Deed of Assignment. On the same day, the Deed of Absolute Sale was also executed between Asian Land and BMDC.

Obando Water's Concession Agreement with the OWD

On January 24, 2017, the consortium of MWC and MWPVI received the Notice of Award from the OWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and sanitation facilities of the OWD in Obando, Bulacan.

On February 2, 2017, Obando Water Consortium Holdings Corp. was registered with the SEC. Obando Water Holdings is the consortium between MWC and MWPVI with an equity share of 49.00% and 51.00%, respectively. The primary purpose of Obando Water Holdings is to engage in the business of a holding company without acting as stockbroker or dealer in securities.

On July 26, 2017, Filipinas Water signed and executed a JVA with OWD. The JVA governs the relationship of Filipinas Water and OWD as joint venture partners in the Obando Water Concession Project (the "Obando Concession Project"). On October 10, 2017, Obando Water was incorporated. Obando Water is 90% and 10% owned by Filipinas Water and OWD, respectively.

For the implementation of the Obando Concession Project, OWD and the joint venture company shall execute a concession agreement. On October 10, 2017, the SEC approved the incorporation Obando Water Company, Inc.

On October 12, 2017, Obando Water and OWD signed and executed a concession agreement without the necessity for another bidding and subject to mutual agreement by Obando Water and the OWD. Under the concession agreement, OWD grants Obando Water, (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564), the sole right to manage, operate, maintain, repair, refurbish, and expand the fixed and movable assets required to provide water and sanitation services in the entire Municipality of Obando for a period of twenty five (25) years commencing on January 1, 2018 (the Commencement Date) until January 1, 2043 (the Expiration Date) or the early termination date, as the case may be.

The initial water tariff, exclusive of VAT and/or any applicable tax, to be charged to the customers for the first three (3) years of the concession agreement shall be based on the 2005 Local Water Utilities Administration (LWUA) approved tariff table of OWD. Under the concession agreement, in the event that one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by OWD.



The grounds for EPA means any of the following circumstances:

- a. change in law or change in the interpretation of the terms of the concession agreement;
- b. extraordinary cost incurred due to prolonged force majeure;
- c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed;
- d. change in assumptions at the time of the execution of the concession agreement; or
- e. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.

On March 28, 2019, LWUA has approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer collect interests and penalties from OWD.

The significant commitments of Obando Water under its concession agreement with OWD are as follows:

- a. To finance, design, engineer, and construct new facilities for water and sanitation;
- b. To upgrade existing water and sanitation facilities;
- c. To operate, manage, and maintain water and sanitation facilities and services; and
- d. To bill and collect tariff for water and sanitation services.

BMDC APA with Solar Resources

On July 26, 2017, BMDC entered into an APA with Solar Resources to acquire and operate the latter's assets used in the water business operations in Solar Resources developments in the province of Bulacan.

On July 31, 2017, Solar Resources executed a Deed of Absolute Sale to sell and transfer its properties pertaining to water facilities and its operations in the Las Palmas Subdivisions Phases 1 to 7 to BMDC.

BMDC APA with Borland

On December 14, 2017, BMDC and Borland executed the APA, Deed of Assignment, and Deed of Absolute Sale between the parties for the sale, assignment, transfer, and conveyance of Borland's assets pertaining to water facilities and its operation in San Vicente Homes subdivision in Bulacan to BMDC.

Notice of Award from the Leyte Metropolitan Water District (LMWD)

On December 6, 2017, MWC received the Notice of Award from the LMWD for the implementation of the joint venture project (the "Leyte Project") for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services of LMWD in the Province of Leyte.

The conditions precedent specified in the Notice of Award include the incorporation of a special purpose vehicle (SPV) which will implement the Leyte Project under a contractual joint venture with the LMWD.

Upon completion of the conditions precedent specified in the Notice of Award, the SPV and the LMWD shall enter into a joint venture agreement that will grant the SPV, as contractor to perform certain functions and as agent for the exercise of, the sole and exclusive right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission, the facilities of LMWD in its Service Area, including the right to bill and collect tariff for the provision of water supply and sanitation services in the Service Area of LMWD.

LMWD's service area covers the City of Tacloban and seven other municipalities namely Palo, Tanauan, Digamy, Tolosa, Pastrana, TabonTabon, and Santa Fe.



On February 20, 2019, MWC wrote to the LMWD, now represented by the City-Appointed BOD, and requested the LMWD to honor the Notice of Award.

On April 12, 2019, the LMWD advised that it had already rescinded/terminated the JVA negotiations with the Parent Company.

In June 21, 2019, MWC initiated available legal course of action to compel the LMWD to honor the Notice of Award granted to the Parent Company.

As of December 31, 2021, the case remains pending with the Supreme Court.

MWPVI JVA with Tubig Pilipinas Group, Inc. (TPGI)

On December 11, 2017, the Municipality of Malasiqui granted a franchise to MWPVI and TPGI for the implementation of a joint venture project to establish, construct, operate, manage, repair, and maintain water supply and wastewater system and facilities in the municipality of Malasiqui, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On February 20, 2018, the BOD of MWPVI approved the creation of a SPV for this project.

On November 16, 2018, MWPVI has signed and executed a JVA with TPGI. Under the agreement, MWPVI and TPGI shall incorporate a joint venture company, with 50% and 50% ownership, respectively, which shall implement the project.

MWC, MWPVI, and TPGI's JVA with SJCWD

On January 14, 2021, the consortium of MWPVI and TPGI has signed and executed a Joint Venture Agreement with the SJCWD for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

On July 21, 2021, San Jose City (N.E.) Water Company, Inc. (San Jose Water) was incorporated which shall accede to the JVA and assume all the rights, responsibilities, and obligations of the consortium upon signing of the Accession Agreement between San Jose Water, the consortium of MWC, MWPVI, and TPGI, and SJCWD.

MWPVI Lease Agreement with the Philippine Economic Zone Authority (PEZA)

On December 18, 2017, MWPVI entered into a Lease Agreement for the Operations and Management of the Water and Used Water Facilities of PEZA in Cavite Economic Zone (CEZ), whereby MWPVI agrees to lease, operate, and maintain the existing water and used water facilities in the CEZ for the provision of water and used water services to the locators therein. The lease agreement has a term of twenty-five (25) years from signing of the contract and shall be effective on its commencement date on February 1, 2018.

On August 4, 2020, MWPVI's BOD approved the assignment of the Lease Agreement for the Operations and Management of the Water and Used Water Facilities of the PEZA in the CEZ from MWPVI to EcoWater.

MWPVI's MOA with LTI

On April 16, 2016, the MWPVI entered into a MOA with LTI, whereby through its division, Estate Water, MWPVI shall exclusively provide water and used water services to LTI's Cavite Technopark to be located in Barangay Sabang, Naic, Cavite, and in pursuit of this objective, to construct, develop, finance, and own the water facilities and used water facilities under the terms and conditions set out in the MOA.



For and in consideration of the construction and development of the water facilities and used water facilities and the rendition of the services by MWPVI, LTI shall pay a capacity charge. Capacity charge included under "Supervision fees," amounted to ₱29.7 million in 2020.

Asset Purchase Agreement with LTI

On December 23, 2013, LAWC entered into an asset purchase agreement with LTI to acquire and operate its water operations division in Laguna. The significant commitments of LAWC under its agreement with LTI follow:

- a. Offer water supply and sewerage services to all current or future locators in the Laguna Technopark, including future area(s) of expansion;
- b. Ensure the availability of an uninterrupted 24-hour supply of water to all current and future locators, subject to interruptions resulting from the temporary failure of items of the Water Facilities (where LAWC acts promptly to remedy such failure) or required for the repair of the construction of the Water Facilities where such repairs or construction cannot be performed without interruption to the supply of water;
- c. Upon request from a current or future locator in the LTI for a connection to a water main, make such a connection as soon as reasonably practicable, upon payment of reasonable connection fees as determined by LAWC;
- d. Ensure at all times that the water supplied to current and future locators in LTI complies with Philippine National Standards for Drinking Water as published by the Department of Health (or successor entity responsible for such standards) and prevailing at such time and shall observe any requirement regarding sampling, record keeping or reporting as may be specified by law;
- e. Make available an adequate supply of water for firefighting and other public purposes as the municipality and/or barangay in which LTI may reasonably request. LAWC shall not assess for such water used for firefighting purposes but may charge for all other water used for public purposes; and
- f. LAWC shall make a supply of water available to current and future locators in LTI, including the areas of expansion in the future.

Ilagan Water's Bulk Water Sales and Purchase Agreement with City of Ilagan Water District (CIWD)

On January 26, 2018, the MWC Group and MWPVI (collectively the "Consortium") received the Notice of Award from ICWD for the implementation of the joint venture project for the development, financing, operation and management of a raw water source, provision of bulk water supply with system expansion, and the development of septage management in Ilagan City, Isabela (the "Ilagan Project").

On November 16, 2018, the Consortium signed and executed a JVA with the ICWD. Under the JVA, the Consortium and ICWD shall incorporate a joint venture company, with 90.00% and 10.00% ownership, respectively, which shall implement the Ilagan Project.

Upon completion of conditions precedent set out in the JVA, the joint venture company will consequently enter into a Bulk Water Sales and Purchase Agreement and Septage Management Agreement with ICWD for the implementation of the Ilagan Project for twenty five (25) years from the commencement date.

On February 15, 2019, Ilagan Water was incorporated and registered with the Philippine SEC to implement the Ilagan Project.

On March 18, 2019, Ilagan Water's BOD approved the execution of a Bulk Water Sales and Purchase Agreement and Septage Management Agreement with CIWD.



On March 16, 2020, Ilagan Water signed and executed a BWSPA and SMA with the City of Ilagan Water District (CIWD), for the supply of bulk water and septage management to CIWD for a period of twenty-three (23) years and twenty-two (22) years from the Operation Start Date, respectively.

Notice of Award from Balagtas Water District (BWD)

On April 25, 2018, the MWC Group and MWPVI (collectively the "Consortium") received the Notice of Award from BWD for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system and sanitation facilities of BWD in the municipality of Balagtas, Bulacan.

On March 22, 2021, the Consortium of MWC and MWPVI accepted the decision of BWD to revoke and terminate the Notice of Award.

On March 24, 2021, the Notice of Award was terminated due to the non-completion by BWD of a financial condition precedent agreed upon by the parties at the time of the issuance of the Notice of Award. With this and despite the best efforts of both parties, the joint venture between the Consortium and the BWD will no longer proceed.

Notice of Award from BuWD and JVA with BuWD

On April 26, 2018, the MWC Group and MWPVI (collectively the "Consortium") received the Notice of Award from BuWD for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system and sanitation facilities of the BuWD in the Municipality of Bulacan in Bulacan.

On August 16, 2018, Filipinas Water signed and executed a JVA with the BuWD for the implementation of the project. Under the JVA, Filipinas Water and BuWD shall incorporate a joint venture company, with 90.00% and 10.00% ownership, respectively, which shall be granted a concession by BuWD. On October 16, 2018, the joint venture company, Bulakan Water, was incorporated and was registered with the SEC.

On June 14, 2019, Bulakan Water and the BuWD signed and executed a concession agreement for the design, construction, rehabilitation, operation, maintenance, financing, expansion, and management of water facilities and the provision of water and sanitation services in the Municipality of Bulakan for a period of twenty-five (25) years from the commencement date.

Notice of Award from PAGWAD

On July 12, 2018, Laguna Water received the Notice of Award from PAGWAD for the implementation of the contractual joint venture project for the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities including the financing and construction of such facilities and infrastructure in the service area of the PAGWAD, and the management, operation, and maintenance of such water supply and sanitation facilities and the provision of the services necessary or incidental thereto in the PAGWAD's service area.

On January 21, 2019, Laguna Water signed and executed a contractual JVA with PAGWAD. Under the agreement, Laguna Water shall serve as the contractor or agent of PAGWAD tasked with the operations, management, and maintenance as well as the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities within the service area of PAGWAD in Pagsanjan, Laguna. Upon completion of conditions precedents in the JVA, Laguna Water and PAGWAD shall execute the project for a period of sixteen (16) years until September 30, 2035. The agreement was executed on March 1, 2019.

Incorporation of EcoWater

On July 27, 2018, MWPVI incorporated EcoWater MWPV Corp. which will eventually handle the Lease Agreement for the Operations and Management of the Water and Used Water Facilities of PEZA in Cavite Economic Zone (CEZ).



Notice of Award from Tanauan Water District

On October 12, 2018, MWC and MWPVI (collectively, the "Consortium") received the Notice of Award from TnWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services in the service area of TnWD in Tanauan City, Batangas.

On February 4, 2019, the Consortium signed and executed a JVA with the TnWD for the implementation of the project. Upon completion of the conditions precedent set out in the JVA, the Consortium, through an SPV, and the TnWD shall execute the Tanauan Project for a period of twenty-five (25) years from the commencement date.

On May 20, 2019, MWPV South Luzon Water Corp. (South Luzon Water), the joint venture company, was incorporated to execute the Tanauan Project.

On September 30, 2019, South Luzon Water's BOD approved to accept the assignment by MWC and MWPVI of their respective rights and obligations under their JVA with the TnWD.

On January 21, 2020, South Luzon Water's BOD approved and clarified that the assignment has a retroactive application effective June 1, 2019, considering the actual commencement date of the takeover and operation of the Tanuan Project.

Notice of Award from Lambunao Water District

On November 27, 2018, the MWC Group received a Notice of Award from Lambunao Water District for a joint venture for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system of Lambunao Water District in the Municipality of Lambunao, Iloilo.

Upon completion of conditions precedent specified in the notice, MWC and LWD shall enter into a JVA, the implementation of the joint venture activity of which shall be undertaken by Aqua Centro.

On July 3, 2019, the MWC and LWD entered into a JVA to implement the design, improvement, upgrade, rehabilitation, and expansion of water supply including the financing and construction of such facilities and infrastructure in the service area of LWD, and the management, operation and maintenance of such water supply and the provision of the services necessary or incidental thereto in the service area.

On August 8, 2019, MWC's BOD ratified its Executive Committee's approval of the assignment to Aqua Centro of the implementation of the concession project awarded by LWD to MWC.

On August 30, 2019, MWC formally notified LWD of the designation of Aqua Centro as the Project Company to implement and carry out the concession project.

On September 1, 2019, Aqua Centro officially commenced operations on the joint venture activity. On the same date, Aqua Centro's BOD approved the Deed of Accession between MWC and LWD.

On September 18, 2019, LWD gave its consent to, and confirmation of, the designation of Aqua Centro as the project company for the implementation of the project pursuant to the JVA.

On December 11, 2019, LWD signed the Deed of Accession between MWC and Aqua Centro.

Notice of Award from Calinog Water District

On November 27, 2018, the MWC Group received a Notice of Award from Calinog Water District for a joint venture for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system of Calinog Water District in the Municipality of Calinog, Iloilo.



Upon completion of conditions precedent specified in the notice, the MWC Group and Calinog Water District shall enter into a JVA, the implementation of the joint venture activity of which shall be undertaken by Aqua Centro.

On June 10, 2019, the Executive Committee of the MWC approved the joint venture with the Calinog Water District. It also approved the assignment to Aqua Centro of the joint venture with Calinog Water District.

Aqua Centro and Laguna Water APAs with Extraordinary Development Corporate Group (EDCG)

On December 11, 2018, Aqua Centro entered into seven (7) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to the provision of water service in ten (10) subdivisions in Imus, General Trias, and Naic in the province of Cavite. These subsidiaries are Earth Aspire Corporation, First Advance Development Corporation, Ambition Land Inc., Prosperity Builders Resources Inc., Tahanang Yaman Homes Corporation, Extraordinary Development Corp., and Earth + Style Corporation.

On December 11, 2018, Laguna Water entered into four (4) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to or used in its water service provision operations in Biñan, Laguna. The APAs are with the following EDCG subsidiaries, namely, Earth Aspire Corporation, Earth Prosper Corporation, Earth and Style Corporation and Extraordinary Development Corp.

As of December 31, 2020, Aqua Centro has already started operations in nine (9) out of the ten (10) subdivisions. As of December 31, 2021, Aqua Centro shall operate the one (1) remaining subdivision once all the conditions precedent under the APAs have been fulfilled.

Notice of Award from San Jose City Water District

On December 21, 2018, the consortium of MWPVI and TPGI received a Notice of Award from San Jose City Water District (SJCWD) for the implementation of the joint venture project for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

Notice of Award from Calbayog City Water District

On December 27, 2018, the MWC Group received the Notice of Award from Calbayog City Water District for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater systems of Calbayog City Water District in the Calbayog City, as well as other areas which may eventually form part of the service coverage of the Calbayog City Water District in the Province of Samar.

Upon completion of the conditions precedent specified in the notice, the MWC Group shall enter into a JVA with the Calbayog City Water District for the implementation of the joint venture project over a twenty five (25) year contract period.

On April 17, 2019, Calbayog Water was incorporated to engage in the development, construction, improvement, upgrade, rehabilitation, expansion, management, operation and maintenance of water supply and wastewater facilities, and to provide services necessary or incidental thereto.

On June 10, 2019, the Executive Committee MWC approved the joint venture with the CCWD. It also approved the assignment to Calbayog Water of the joint venture with CCWD.

On July 3, 2019, the MWC signed and executed a joint venture agreement with the CCWD for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater system of CCWD in the City of Calbayog.



Joint Venture Agreement (JVA) with CCWD

On July 15, 2020, Calbayog Water and Tubig Pilipinas Group, Inc. (TPGI) entered into a Stakeholder Management Agreement, where TPGI agrees to provide support to the Operations Management/ Stakeholder Management of Calbayog Water.

On the same date, Calbayog Water and TPGI entered into a Subscription Agreement whereas TPGI agreed to subscribe to Calbayog Water's shares at a subscription price of ₱1.00 per share for a total subscription of Forty-Nine Million One Hundred Seventy Thousand Pesos (₱49,170,000.00), payable in tranches up to 2022.

Assignment of MWPVI Lease Agreement with the Philippine Economic Zone Authority (PEZA). On August 4, 2020, the MWPVI BOD approved the assignment of the Lease Agreement for the Operation and Management of the Water and Used Water Facilities of the PEZA in the Cavite Economic Zone (CEZ) from MWPVI to EcoWater.

San Jose Water District and Manila Water Philippine Ventures

On March 4, 2020, San Jose Water District and Manila Water Philippine Ventures signed a Joint Venture Agreement for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply and sanitation facilities and services of San Jose Water District.

North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag in Pangasinan

On April 27, 2018, MWPVI was granted a franchise by the Municipality of Sta. Barbara, Pangasinan for the provision of water supply and the improvement, operation, maintenance, management, financing, and expansion of water supply facilities, and the provision of septage management in Sta. Barbara, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On June 11, 2018, MWPVI received a Notice to Proceed from the Municipality of Sta. Barbara for the implementation of the project.

On August 13, 2018, MWPVI was granted a franchise by the Municipality of San Fabian, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of San Fabian, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On December 3, 2018, MWPVI was granted a franchise by the Municipality of Manaoag, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of Manaoag, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On January 25, 2019, MWPVI received a notice to proceed for the implementation of the said project.

In 2019, MWPVI signed each of the MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag.

On September 16, 2019, MWPVI incorporated North Luzon Water to operate the franchises granted in Sta. Barbara, San Fabian, and Manaoag in Pangasinan.

On August 4, 2020, the MWPVI BOD approved the assignment of the franchises, rights and obligations granted to MWPVI by the local government units of Malasiqui, San Fabian, and Manaoag in the province of Pangasinan to North Luzon Water.



MWPVI's Grant of Franchise from Sangguniang Panlungsod of Iloilo

On March 26, 2019, the Sangguniang Panlungsod of Iloilo City granted a non-exclusive franchise to the joint venture between MWPVI and TPGI to construct, establish, commission, operate and maintain a water supply system to service the population of the Iloilo City.

The franchise granted to MWPVI shall be for a term of twenty-five (25) years, covering all the barangays under the governance and jurisdiction of Iloilo City.

Aqua Centro and Laguna Water MOAs with Raemulan Lands, Inc (RLI)

On July 10, 2019, Aqua Centro and Laguna Water entered into three (3) MOAs with Raemulan Lands, Inc. (RLI) for the construction, operation, and management of water distribution facilities in Pasinaya North and Tradizo Enclaves in Cavite and Jubilation Enclave in Laguna.

Aqua Centro and Laguna Water have started operations in 2019.

On December 4, 2020, Amendment to the MOA with RLI for Pasinaya North was executed. The amendment states a one-time fee or charge amounting to ₱5.47 million for the right to use for 25 years of RLI's Water Distribution Facilities in Pasinaya North.

MWTS's Integrated Waste Management Facility with the City of Marikina

On July 31, 2019, MWTS received the Certificate of Acceptance and Grant of Original Proponent Status from the Office of the Mayor of the City of Marikina to build and operate an Integrated Waste Management Facility to treat and process the city solid waste of Marikina City. The Certificate authorizes the commencement of detailed negotiations with respect to the terms and conditions of the project.

Raw Water Supply Offtake Agreement among the Parent Company, MWSS, and WawaJVCo, Inc.

On August 6, 2019, MWSS along with the Parent Company signed a thirty (30)-year Raw Water Supply Offtake Agreement with WawaJVCo, Inc., a joint venture company formed between Prime Metroline Infrastructure Holdings Corporation and San Lorenzo Builders and Developers Corporation. This will involve the supply of 518 million liters per day of raw water from the Wawa and Tayabasan rivers and is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of the East Service Area.

On June 7, 2020, the First Supplement to the Raw Water Supply and Offtake Agreement was executed. On September 28, 2021, the Second Supplement was executed to reflect the impact of the COVID-19 pandemic on the timeline of project.

Contingencies

Clark Water' Compliance Action Plan (CAP)

On June 16, 2016, the DENR promulgated DENR Administrative Order (DAO) No. 2016-08 regulating the discharge of nutrients and imposing additional limits and parameters. Pursuant to Section 10 of DAO No. 2016-08, Clark Water sought the approval of the DENR of its CAP which would have extended the current five (5)-year CAP of Clark Water. On July 17, 2020, Clark Water received the approval of DENR on its submitted CAP with project completion deadline of December 31, 2021. On October 19, 2020, the CDC sent a letter to the DENR in support of Clark Water's request for extension of its CAP to 2023. On November 11, 2020, however, the CDC received a letter from the DENR denying Clark Water's request citing the DAO No. 2016-08's clear five (5)-year limit for the grace period. On November 26, 2020, CDC sent another letter to the DENR appealing to the DENR for reconsideration of their request to postpone the DAO No. 2016-08. On December 7, 2020, the DENR sent a letter to the CDC, denying their request for the second time.



As a result, DENR held in abeyance the renewal of Clark Water's discharge permit pending its compliance with the CAP and even though Clark Water is compliant with DAO No. 1990-35, the applicable regulation at that time. On April 20, 2021, Clark Water received notice to proceed from CDC. Clark Water immediately proceeded with the construction of the Bionutrient Removal (BNR) Project in compliance to the approved CAP. DENR subsequently issued a temporary permit on April 26, 2021 valid until October 30, 2021.

On July 29, 2021, DAO No. 2016-08 was superseded by a relaxed standard under DAO No. 2021-19. On December 21, 2021, Clark Water sent letter to the DENR for the reduced CAP pursuant to DAO No. 2021-19. On January 13, 2022, DENR issued Discharge permit extension until March 31, 2022.

MWC Water Supply Shortage

In March 2019, the large decline in La Mesa dam water levels caused water service availability in the East Zone to drop significantly, reaching its lowest level at about 68.5 meters in April 2019. In order to ease the widespread inconvenience of the water supply shortage to the customers who were affected by the unprecedented water shortage, MWC announced a one-time voluntary Bill Waiver Program on March 26, 2019. This program had two parts, namely:

- (1) all customers will receive a bill waiver of the minimum charge in their consumption which represents ten (10) cubic meters covering water, environmental and sewer charges; and
- (2) all customers from hard-hit barangays with absolutely no water service for at least seven (7) days from March 6 to March 31, 2019 will not be charged at all for the month of March 2019.

The bill waiver is in the nature of an abatement or reduction from the gross amount or price to be paid by the customers. This was implemented in April 2019 and was treated as sales discount in the customer's billings.

In April 2019, MWSS BOT (MWSS Resolution No. 2019-055-CO and MWSS Resolution No. 2019-056-CO) imposed a financial penalty of ₱534.05 million on MWC for its failure to meet its service obligation to provide 24/7 water supply to its customers. While the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS, MWC has abided by the decision of MWSS to pay the financial penalty of ₱534.05 million even as it assumes no liability on the basis of the penalty as the Parent Company was not the root cause of the water supply shortage. Pursuant to the directive of the MWSS RO, the ₱534.05 million financial penalty was distributed to the East Zone customers through rebates wherein all connections as of March 31, 2019 received a minimum rebate equivalent to their first 10 cubic meters or ₱153.93 each while identified severely affected accounts received an additional rebate of ₱2,197.94 each.

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004

This case arose from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against MWC, Maynilad, and MWSS for alleged violation of Philippine Clean Water Act of 2004 (RA No. 9275, the "Clean Water Act"), particularly the five (5)-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On September 18, 2019, the MWC received a copy of the Decision of the Supreme Court on the case 'Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources, et.al.' with G.R. No. 206823 and promulgated on August 6, 2019. In the Decision, the Supreme Court found MWC liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

- a. MWC shall be jointly and severally liable with MWSS for the total amount of ₱921.46 million covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.



- b. From finality of the Decision until full payment of the ₱921.46 million fine, MWC shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10.00% increase every two (2) years as provided under Section 28 of the Clean Water Act, until full compliance with Section 8 of the same law.
- c. The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.

On October 2, 2019, MWC filed a Motion for Reconsideration with the Supreme Court.

On July 1, 2020, MWC received a copy of the Consolidated Comment (on the separate Motions for Reconsideration filed by petitioners MWSS, Maynilad Water Services, Inc. and MWC) filed by the Office of the Solicitor General in behalf of the adverse parties.

On August 17, 2020, MWC filed with the Supreme Court a Motion for Leave to file and admit its Reply.

On November 3, 2020, MWC received a Resolution dated September 8, 2020 issued by the Supreme Court, which relevantly:

- 1. noted the Consolidated Comment;
- 2. granted the Motion for Leave and Admit Attached Reply; and
- 3. noted the Reply filed by MWC.

Assets Held in Trust

MWSS

MWC was granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Agreement. The legal title to all movable property in existence at the Commencement Date, however, shall be retained by MWSS and upon expiration of the useful life of any such movable property as may be determined by MWC, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or MWC.

The Concession Agreement also provides for the Concessionaires to have equal access to MWSS facilities involved in the provision of water supply and sewerage services in both East and West Zones including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to MWC on Commencement Date based on MWSS' closing audit report amounted to ₱4.6 billion with a sound value of ₱10.4 billion.

In 2020, MWC engaged the services of Royal Asia Appraisal Corporation to conduct a re-appraisal of the assets managed by MWC as of December 31, 2020. Total appraised value as of December 31, 2020 amounted to ₱28.0 billion.

MWSS' corporate headquarters is made available to the Concessionaires starting August 1, 1997, subject to periodic renewal by mutual agreement of the parties. On August 28, 2012, additional office space was leased by MWC. The lease was last renewed on July 8, 2019. Payments amounting to ₱36.40 million each year is recorded in 2020 and 2019 as deduction to lease liabilities. In 2018, total rent payments amounted to ₱32.3 million, which are included under "General and administrative expenses" in the consolidated statements of comprehensive income.

In March 2015, MWC and MWSS entered into an agreement for the lease of a portion of the San Juan Reservoir and Aqueduct Complex being utilized by MWC as stockyard for its pipes and other materials. The lease agreement shall continue to be in effect until the termination of the Concession Agreement. Rent payments amounting to ₱16.2 million each year which is recorded in 2020 and 2019 as deduction to lease liabilities and in 2018, included under "General and administrative expenses" in the consolidated statement of comprehensive income.



PGL

LAWC was granted the right to manage, occupy, operate, repair, maintain, decommission and refurbish the property required to provide water services under its concession agreement with PGL. The legal title of all property in existence at the commencement date shall be retained by PGL. Upon expiration of the useful life of any such property as may be determined by LAWC, such property shall be returned to PGL in its then condition at no charge to PGL or LAWC.

In 2014, LAWC engaged the services of Cuervo Appraisers to conduct a re-appraisal of PGL assets on record as of December 31, 2013. Total replacement cost as of December 31, 2013 amounted to ₱2,138.4 million with a sound value of ₱1,596.2 million.

TIEZA

BIWC was granted the right to operate, maintain in good working order, repair, decommission and refurbish all fixed and movable property (except retained assets) required to provide the water and sewerage services under its concession agreement with TIEZA. The legal title to all these assets in existence at the commencement date, however, shall be retained by TIEZA and upon expiration of the useful life of any such assets as may be determined by BIWC, such assets shall be returned to TIEZA in its then-current condition at no charge to TIEZA or BIWC.

The net book value of the facilities transferred to MWC on commencement date based on TIEZA's closing audit report amounted to ₱618.2 million.

In 2015, BIWC engaged the services of Cuervo Appraisers, Inc. to conduct an appraisal of its assets as of August 18 to 20, 2015. Total replacement cost as of December 31, 2015 amounted to ₱1.1 billion with a sound value of ₱793.4 million.

CDC

Clark Water was granted the right to finance, design and construct new facilities and to manage, exclusively possess, occupy, operate, repair, maintain, decommission, and refurbish all facilities, except private deepwells, to provide and manage the water and wastewater-related services in the CFZ.

OWD

On October 12, 2017, Obando Water was granted the right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Obando. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Obando Water, shall remain with OWD.

CWD

On October 23, 2017, Calasiao was granted the right to develop, manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Calasiao. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Calasiao Water, shall remain with CWD.

PAGWAD

On January 21, 2019, Laguna Water was granted the right to operate, finance, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required and exclusively used to provide water delivery and sanitation services in the service area of PAGWAD.



TnWD

On February 4, 2019, South Luzon Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of TnWD.

BuWD

On June 14, 2019, BuWD was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the service area of BuWD.

LWD

LWD On July 3, 2019, Aqua Centro was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply in the service area of LWD.

CCWD

On July 3, 2019, CCWD was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of CCWD.

Events after the Reporting Period

MWPVI's Notice of Award from the Provincial Government of Pangasinan (PGP)

On January 14, 2022, the Consortium of MWC and MWPV signed the Concession Agreement with the PGP for the implementation of the joint venture project for the development, financing, construction, operation and maintenance of a bulk water facility within the Province of Pangasinan. On the same day, a groundbreaking activity was held in one of the proposed sites for a treatment plant.

MWC's Water Franchise Approval

On January 25, 2022, Republic Act (RA) No. 11601 became effective, granting MWC a twenty-five (25)-year franchise to establish, operate and maintain a waterworks system to ensure an uninterrupted and adequate supply, and distribution of potable water for domestic, commercial, and other purposes, and for the establishment and maintenance of sewerage system in the East Zone under a concession from the MWSS, or under an appropriate certificate of public convenience and necessity, license or permit from the MWSS RO.

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004

On January 26, 2022, MWC filed a Manifestation to inform the Supreme Court of certain developments (i.e., the execution of the RCA and the grant of a legislative franchise to the MWC which it deems relevant in the resolution of its 2019 Motion for Reconsideration.

MOMC with the NWC, Kingdom of Saudi Arabia for the Eastern Cluster

On January 27, 2022, International Water Partners Company the Second (IWP2) was incorporated with MWAP, Saur, and Miahona owning 30.00%, 35.00%, and 35.00%, respectively. The project commencement date has been deferred to February 28, 2022 from January 21, 2022 as Force Majeure was triggered to on the grounds of resurgence of COVID-19 due to Omicron variant.

Tagum Water's Bulk Water Sales and Purchase Agreement with Tagum Water District (TWD)

On January 31, 2022, MWPVI agreed to purchase the 51.00% share of iWater, Inc. in Davao Water. On February 24, 2022, MWPVI secured the approval of its BOD to purchase the 49.00% stake (735,000 common shares) of iWater, Inc. in Davao Water for ₱345.33 million.



RCA with MSSS

On February 16, 2022, MWC and MWSS signed a Fourth Amendment to the RCA to further extend the effective start date of the RCA up to March 18, 2022 to give more time for the completion of the remaining condition precedent to the effectivity of the RCA.

Stock Incentive Plan (SIP)

On February 24, 2022, the MWC's BOD approved the Stock Incentive Plan, which is a performance-based bonus extended to the senior leadership, officers, and consultants of Manila Water, its subsidiaries and affiliates, in the form of Manila Water shares as equity-settled transactions, in lieu of cash incentives and bonuses. Shares to be awarded shall vest in three (3) years: 25.00% on the first anniversary date of the award; 25.00% on the second anniversary date of the award; and 50.00% on the third anniversary date of the award. Vesting shall grant the grantee absolute beneficial title and rights over the shares, including full dividend and voting rights. The shares for the SIP will be acquired from the market and held in treasury before they are issued to the SIP grantees. The SIP is in addition to the existing ESOP and ESOWN Plans.

GNPK

On July 1, 2019, the ACEIC and PPLC executed the Divestment Term Sheet for the acquisition in tranches by PPLC of the ACEIC Group's indirect partnership interest in GNPK, through the sale of its limited partnership interest in KPHLC. The completion of the first tranche of the transaction will result in PPLC gaining control over GNPK's coal power plant. The Group classified the assets and liabilities of KPHLC as assets and liabilities held for sale in 2019 since based on management's assessment, the criteria under PFRS 5 have been met. The transaction is subject to certain conditions precedent, including PCC approval that was already obtained on September 30, 2019, and lenders' consent for ACEIC's full divestment from the project which was been obtained on December 15, 2020.

On December 28, 2020, ACEIC, PPLC and their related companies amended and restated the Divestment Term Sheet and signed and executed an Amended and Restated Term Sheet for the divestment of ACEIC from GNPK to update the terms and conditions of the divestment.

The Group has continued to classify the assets and liabilities of KPHLC as "Assets held for sale" and "Liabilities held for sale", respectively, in the 2020 consolidated statement of financial position as the sale is highly probable and intended to be completed within the first quarter of 2021, subject to the completion of other condition precedent specified in the term sheet such as restructuring ACEIC.

On March 5, 2021, ACEIC, PPLC and certain of their affiliated companies, signed a Divestment Agreement for the transfer by ACEIC of its indirect ownership interest in GNPK in favor of PPLC and its affiliates. The transfer was implemented in tranches with the purchase price to be paid on a deferred basis.

As of September 30, 2021, the following transactions were completed:

1. Redemption of the Kauswagan Power Holding Ltd. Co. (KPHLC) Class A and B limited partnership interest held by ACEIC. KPHLC holds 85.7% ownership interest in GNPK.
2. Investment by ACEIC subsidiaries (ACE (BVI) B, Inc., ACE (BVI) D, Inc., ACE (BVI) F, Inc., ACE (BVI) T, Inc., and ACE (BVI) PHILCO Corp.) in GNPK through subscription to KPHLC's Class A and B limited partnership interests.
3. Sale of 100% interest in ACE (BVI) B, Inc. and 11.62% interest in ACE (BVI) PHILCO Corp. to PPLC and subsidiaries, equivalent to 38.6% (45% of 85.75%) interest in GNPK (first tranche sale). Pursuant to the Divestment Agreement, with the completion of the first tranche sale, management and operational control over KPHLC and GNPK is transferred to PPLC and its affiliates, whereby PPLC and its affiliates, among others, acquired the right to appoint and elect four of the five members of KPHLC's and GNPK's management committee representatives, and four of the five members of the Board of directors of Kauswagan Power GP Corporation, the sole general partner of GNPK.



The sale and retained interest were valued at US\$453.24 million (₱23,096.8 million) payable on a deferred basis. The carrying value of ACEIC indirect investment in GNPK was US\$363.65 million (₱18,531.31 million). Receivables from PPLC and affiliates for the 38.6% interest in KPHLC is recorded at net present value at US\$190.00 million (₱9,638.6 million), while the fair value of the 47.1% (55% of the 85.7%) investment amounting to US\$232.22 million (₱11,758.1 million) is presented as part of "Assets held for sale" in the December 31, 2021 consolidated statements of financial position.

Total gain upon loss of control over GNPK is at ₱3,501.4 million which includes the following: 1) ₱1,299.5 million gain on sale of shares on the 38.6% interest in GNPK; 2) ₱1,588.2 million fair value gain on sale on the 41.7% retained interest in GNPK; and 3) ₱613.7 million gain on the re-attribution of accumulated share in currency translation adjustments as of September 30, 2021.

ACEIC continued to consolidate the balances until completion of the first tranche sale as of September 30, 2021, upon which, the Assets held for sale and Liabilities held for sale were deconsolidated from the Group's consolidated statements financial position.

In accordance with PFRS 5, since the ACEIC Group is committed to a sale plan, the ACEIC Group classifies its retained investment in KPHLC, which owns GNPK, as held for sale.

The Group continued to take up the full profit and loss of GNPK until September 30, 2021.

The amount and timing of collection of the consideration is dependent on the distributable proceeds that will be received by the buyer from its two GN Power affiliates, GNPK and GNPD, which is based on the priority payment waterfall provisions of the divestment agreement. In determining the fair value of the receivables and the retained interest, ACEIC used key assumptions such as revenue from energy sales, fuel costs and discount rate in relation to the future cashflows of GNPK and GNPD.

The major classes of assets and liabilities of the GNPK classified under PFRS 5 for the nine-month period September 30, 2021 and as of December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
	(In Thousands)	
Assets Held for Sale		
Cash and cash equivalents	₱3,347,325	₱4,634,983
Receivables	2,398,147	1,766,502
Input VAT	3,025,333	3,124,214
Property, plant and equipment	52,666,341	47,560,398
Intangible assets	327,982	265,860
Other assets	2,711,560	1,588,430
Total assets under PFRS 5	64,476,688	₱58,940,387
Liabilities under PFRS 5		
Accounts and other payables	₱3,986,657	₱3,016,711
Loans Payable	35,416,987	24,811,025
Deferred tax liability - net	404,752	-
Other liabilities	1,315,299	23,979
Total liabilities under PFRS 5	₱41,123,695	₱27,851,715

As of December 31, 2020, total reserves of GNPK amounted to ₱755.3 million.

Claims for Property Damage and Business Interruption

GNPK has the right to claim Delay Liquidated Damages for any construction delay. Total compensation recognized under "Other income" for the periods ended September 30, 2021 and December 31, 2020 amounted to nil and US\$10.0 million (₱509.04 million), respectively. No compensation recognized as cost recovery or cost reduction to "Construction in Progress" account under "Property, plant and equipment" as of December 31, 2021 and 2020.



GNPK revenues from electricity sales of ₱4,409.0 million and ₱5,108.7 million and mark-to-market gain on derivative instrument of ₱411 million and ₱802.6 million as of September 30, 2021 and December 31, 2020, respectively, were recognized in the Group's consolidated statement of comprehensive income.

As of September 30, 2021 and December 31, 2020, the carrying value of the GNPK's power plant amounted to ₱49,884.0 million and ₱47,880.0 million, respectively. GNPK has assessed that the units will be available in the location and condition for them to be capable of operating as intended by management when the units have achieved the unit performance test level as agreed with the EPC Agreement. As of September 30, 2021 and December 31, 2020, the units are not yet available for their intended use as there are still expected testing and costs that will be incurred until the units achieve the agreed and expected conditions to operate. Consequently, no depreciation was recognized as of September 30, 2021 and December 31, 2020.

Performance Guarantee

GNPK is entitled to compensation or reduction in construction cost if the power plant does not meet performance criteria for net electrical output in accordance with the testing conditions agreed in the EPC Agreement. On May 18, 2020, as security that EPC contractor will rectify the remaining defects to achieve the contractual performance criteria based on the EPC Agreement, GNPK fully drew the performance guarantee under the EPC Agreement amounting to US\$47.73 million (₱2,429.3 million). GNPK initially treated the drawn amount as advances from contractors as of December 31, 2020. Subsequently, on October 18, 2021, upon effectivity of the Settlement Agreement with SEPC, GNPK treated such amount as a reduction of the Construction in progress account in accordance with PAS 16 and based on the provisions of the settlement agreement which indicates that such amount relates to the reduction in the Supply Cost and Construction Cost reflecting the decreased value of work affected by the defects and deficiencies under the EPC Agreement.

Derivative Asset

The onshore and offshore loan agreements of GNPK have embedded prepayment options subject to a 3.00% prepayment penalty. The embedded derivative for the onshore dollar loan is assessed to be not closely related to the host contract, and thus, bifurcated and accounted for separately. For the period ended September 30, 2021 and year ended December 31, 2020, the net fair value changes in profit or loss during the year amounted to ₱411 million and ₱802.64 million, respectively. This is presented as mark-to-market gains in the consolidated statement of comprehensive income.

Cash flow movement

The table below provides summary of the cash flows of GNPK for the period ended December 31, 2020:

	2021	2020
	<i>(In Thousands)</i>	
Net cash flows provided by operating activities	₱1,701,287	₱7,392,125
Net cash used in investing activities	(252,882)	(546,593)
Net cash provided by (used) in financing activities	(2,850,575)	(6,938,180)
Effect of exchange rate changes on cash and cumulative translation adjustment	114,512	(262,478)
Net increase (decrease) in cash and cash equivalents	(₱1,287,658)	(₱355,126)

Kauswagan Land

The amendment and restated Divestment Term Sheet on December 28, 2020 included a provision wherein ACEIC agreed to sell and PMR Group Retirement Plan, Inc. (PGRP) agreed to acquire certain parcels of land located in Kauswagan Lanao Del Norte which constitute the current project site of GNPK and which are currently legally and beneficially owned by ACEIC. PGRP is a related party of PPLC.



The purchase price for the Kauswagan Land is equal to US\$15.9 million inclusive of value added tax, and subject to withholding taxes to the extent prescribed under Philippine law (referred to as Land Purchase Price). The documentary stamp tax as well as other costs and fees for the title transfer including cost to obtain the certificate authorizing registration (CAR), local transfer taxes and fees payable to the register of deeds, shall be for the account of PGRP.

To enable PGRP to pay the Land Purchase Price, one of the modes of settlement is ACEIC shall extend a loan to PGRP in an amount up to the Land Purchase Price (referred to as "ACEIC Land Loan") and PGRP shall use the loan amount exclusively to pay the Land Purchase Price to ACEIC. PGRP shall pay interest on the ACEIC Land Loan at equivalent rates agreed in the term sheet. Since ACEIC Land Loan may require prior consent from PGRP's existing lender, it is agreed that the issuance of such consent shall be a condition precedent to the effectiveness of the ACEIC Land Loan.

In July 2021, the consent from PGRP's existing lenders were obtained. The carrying value of the Kauswagan Land amounting to ₱402.8 million as of December 31, 2021 was classified as "Assets held for sale".

As of December 31, 2021, sale has not been carried out with PGRP requesting for revisions to commercial terms (e.g., interest rate / taxes) on binding agreement. Discussion between PGRP and ACEIC is ongoing as of date.

ACEN's Power Barges

In 2021, the ACEIC Group classified the power barge assets as held for sale under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, as result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use. Power Barge ("PB") 101 and 102 were commissioned in 1981 while PB 103 in 1985. These were acquired by ACEN from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2015. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a gross capacity of 32MW and providing dispatchable reserve services to the Visayas grid.

On August 20, 2021, the ACEN's Executive Committee approved the sale of PB 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary, and PB 102 and PB 103 to SPC Power Corporation or its designated affiliate or subsidiary.

On September 16, 2021, the Asset Purchase Agreement for the sale of PB 102 and 103 with SPC Island Power Corporation was signed. Impairment loss amounting to ₱8.71 million and ₱270.53 million was recognized for the year ended December 31, 2021 and 2020 respectively, to bring down to its estimated net realizable value.

On December 21, 2021, ACEN signed the Asset Purchase Agreement for the sale of PB 101 to MORE Power Barge, Inc. The Deed of Absolute sale was executed by the parties on January 21, 2022. Impairment loss amounting to ₱69.15 million and nil was recognized for the year ended December 31, 2021 and 2020 respectively, to bring down to its estimated net realizable value.

Impairment Losses

PB 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil on July 3, 2020. Based on investigation, an explosion in one of the barge's fuel tanks ruptured the hull of the barge which resulted in the oil spill.

The ACEIC Group assessed as at December 31, 2020 and determined that the incident raised impairment indication that the asset's carrying amount exceeded its estimated recoverable amount. The ACEIC Group recognized net impairment of ₱2.74 million, ₱270.53 million and nil in 2021, 2020 and 2019, respectively.



As at December 31, 2021, the carrying value of the power barges (PB101 to P103) amounted to ₱193.53 million.

BSEI Tools

In 2021, tools identified as salable were classified as assets held for sale from property, plant and equipment, with its related impairment reversal amounting to ₱14.9 million, ₱5.0 million of these were sold during the year. As at December 31, 2021, the remaining tools are available for immediate sale in its present condition although nothing yet has been finalized, management has been actively looking for interested buyers.

25. Income Tax

The components of the Group's deferred taxes are as follows:

Net deferred tax assets

	2021	2020
	(In Thousands)	
Deferred tax assets on:		
Lease liability	₱6,611,665	₱5,485,012
Difference between tax and book basis of accounting for real estate transactions	5,989,367	9,036,026
Accrued expenses	2,849,585	1,331,839
NOLCO	2,513,771	616,456
Retirement benefits	645,271	296,922
Allowance for probable losses	483,595	916,573
MCIT	81,221	126,446
Allowance for doubtful accounts	32,239	27,439
Remeasurement loss	21,284	45,123
Allowance for inventory obsolescence	20,648	36,642
Advanced rental	17,810	14,671
Unrealized foreign exchange loss	14,227	111,900
Others	1,760,121	547,827
	21,040,804	18,592,876
Deferred tax liabilities on:		
ROU asset	(4,005,435)	(3,165,842)
Capitalized interest and other expenses	(540,009)	(458,003)
Unrealized foreign exchange gain	(83,051)	(217,699)
Contract asset	-	(11,692)
Others	(118,209)	(105,596)
	(4,746,704)	(3,958,832)
Net deferred tax assets	₱16,294,100	₱14,634,045



Net deferred tax liabilities

	2021	2020
	(In Thousands)	
Deferred tax assets on:		
Accrued expenses	₱88,082	₱110,114
Unrealized foreign exchange loss	57,461	6,502
NOLCO	23,668	72,669
Allowance for probable losses	20,721	54,074
Difference between tax and book basis of accounting for real estate transactions	16,896	301,965
Lease liability	11,913	536,482
Allowance for inventory obsolescence	-	10,419
Allowance for doubtful accounts	-	6,631
Retirement benefits	(71,074)	432
Advanced rental	(16,628)	15
Others	102,640	329,789
	233,679	1,429,092
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	(3,260,288)	(3,912,586)
Difference between tax and book basis of accounting for real estate transactions	(3,524,490)	(4,464,495)
Acquisition of trademarks and patents	(778,416)	(631,571)
Unrealized fair value gain less costs to sell of biological assets	(573,108)	(6,467)
ROU asset	(371,630)	(1,222,752)
Capitalized interest and other expenses	(15,126)	(106,013)
Accrued receivables	(90,935)	(13,502)
Prepaid expenses	-	(5,357)
Contract asset	-	(4,653)
Retirement benefits	(18,814)	-
Unrealized foreign exchange gain	(12,570)	(4,474)
Others	(769,203)	(455,427)
	(9,414,580)	(10,827,297)
Net deferred tax liabilities	(₱9,180,901)	(₱9,398,205)

Deferred tax related to items recognized in OCI during the year:

	2021	2020
	(In Thousands)	
Net loss / (gain) on cash flow hedges	(₱151,042)	₱95,930
Net loss / (gain) on equity instruments designated at fair value through OCI	(401,618)	110,990
Share in OCI of insurance subsidiaries	17,462	(14,552)
Currency Translation	-	59
Remeasurement loss / (gain) on defined benefit plan	(557,505)	911,733
Deferred tax charged to OCI	(₱1,092,703)	₱1,104,160

The Group has NOLCO amounting to ₱34.7 billion and ₱25.6 billion in 2021 and 2020, respectively, and MCIT amounting to ₱219.6 million and ₱210.3 million in 2021 and 2020, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.



As of December 31, 2021, total unrecognized NOLCO and MCIT amounted to ₱23.0 billion and ₱120.6 million, respectively. As of December 31, 2020, total unrecognized NOLCO and MCIT amounted to ₱22.2 billion and ₱249.7 million, respectively. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, NOLCO that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities, respectively, is as follows:

Year incurred	Expiry Date	NOLCO (In Thousands)
2019	2022	₱6,710,337

As of December 31, 2021, the Group has incurred NOLCO in taxable year 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year incurred	Expiry Date	NOLCO (In Thousands)
2020	2025	₱7,289,430
2021	2026	14,976,064

For the NOLCO of certain entities within the Group, this expires between three (3) to ten (10) years from the date incurred depending on the jurisdiction the entity is operating. Details are as follows (in thousands):

Year incurred	NOLCO
2018 and prior	₱996,514
2019	1,759,036
2020	1,472,444
2021	1,484,999

As of December 31, 2021, MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities, respectively, is as follows:

Year incurred	Expiry Date	MCIT (In Thousands)
2019	2022	₱59,928
2020	2023	68,519
2021	2024	91,234



The following are the deductible temporary differences and unused NOLCO and MCIT for which no deferred tax assets were recognized:

	2021	2020
	(In Thousands)	
NOLCO	₱23,022,349	₱22,217,490
Pension liability	662,397	856,616
Accumulated impairment losses on property, plant and equipment	604,036	591,082
Accrued expenses	544,539	466,485
Allowance for doubtful accounts	318,235	158,180
Excess of cost over NRV of inventories	145,315	94,531
Retirement Liability	122,489	100,477
MCIT	120,589	249,671
Provision for maintenance obligation	101,030	86,218
Lease liability	—	517,940
Others	38,937	142,209
	₱25,679,916	₱25,480,899

As of December 31, 2021 and 2020 deferred tax liabilities have not been recognized on the undistributed earnings and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

The reconciliation between the statutory and the effective income tax rates follows:

	2021	2020	2019
Statutory income tax rate	25%	30%	30.00%
Tax effects of:			
Nontaxable share in net profits of associates and joint ventures	(13.78)	(14.85)	(12.68)
Nondeductible expenses	5.86	0.43	17.12
Interest income and capital gains subjected to lower rates	(6.01)	(2.91)	(16.58)
Income under income tax holiday	(0.26)	(0.37)	(0.90)
Effect on the change in income tax rate	(0.18)	—	—
Others	5.52	6.44	5.89
Effective income tax rate	16.15%	18.74%	22.85%

The income tax on profits of overseas subsidiaries have been calculated at the rates of tax prevailing in the countries where such subsidiary operates, based on existing legislation, interpretations and practices in respect thereof.

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). The general features of the CREATE bill are the following:

- Reduction in current income tax rate effective July 1, 2020;
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023;
- Increased threshold on sale of real estate properties that is exempt from VAT;



- Regional operating headquarters of multinational companies previously subject to a tax of 10% on their taxable shall be subject to the regular corporate income tax effective December 31, 2020; and
- Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent 1%.

As at February 24, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law.

The CREATE Law was signed by the President on March 26, 2021 and became effective on April 11, 2021. Upon effectivity of the CREATE Law, the following amendments have a material impact to the Group:

- a. For domestic corporations with net taxable income of more than ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) of more than ₱100 million shall be subject to a reduced corporate income tax rate of 25% effective July 1, 2020. Domestic corporations with net taxable income not exceeding ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million shall be imposed with a corporate income tax of 20% effective July 1, 2020. Prior to the CREATE Law, domestic corporations are subject to a 30% regular corporate income tax rate.
- b. Foreign sourced dividends shall only be exempt from taxation if (1) the funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation within the next taxable year from the time the foreign-sourced dividends were received and shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure projects; provided that the said domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shares for at least two (2) years at the time of the dividend declaration;
- c. Minimum corporate income tax shall be imposed on domestic and resident foreign corporations at a rate of (i) 1% of gross income effective July 1, 2020 until June 30, 2023, and (ii) 2% thereafter;
- d. Regional operating headquarters shall pay a tax of 10% of their taxable income and shall be subject to the regular corporate income tax of 25% effective December 31, 2021;
- e. Nonresident foreign corporations shall pay a reduced corporate income tax of 25% from a previous rate of 35%.

The CREATE Law likewise rationalizes income fiscal incentives, making them time-bound, targeted, and performance-based. Holders of tax incentives are given a sunset period to adjust to the tax regime changes that will be brought about by the CREATE Law. Consequently, upon the effectivity of the CREATE Law, some tax exemptions or tax incentives enjoyed by certain members of the Group have expired, will be revoked, or have been repealed, or, if other new laws are enacted, the income from these sources will be subject to the regular corporate income tax rate after the lapse of the sunset period. As a result, tax expense of affected members of the Group would increase, and their respective profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, the enactment of any new laws, and any associated impact on the Group, could have a material adverse effect on the Group's business, financial condition and results of operations.

Impact of CREATE law in subsidiaries amounted to decrease of income tax expense in 2021 by ₱76.1 million (53.1 million AC share), while impact in associates and joint ventures amounted to decrease of income tax expense by ₱603.6 million, while AC share amounted to increase in income tax expense of ₱139.9 million and booked under share in net profits of associate and joint ventures.

ALI

The BOI issued certificates of registrations to ALI Group in accordance with the existing Omnibus Investment Code. The projects have been granted an ITH for a fixed period from the date of registration or actual start of operations, whichever is earlier.



IMI

The IMI Group is registered with PEZA and is entitled to certain incentives, which include ITH. As of December 31, 2021, there are two remaining project activities with ITH which will expire on 2023. Under its PEZA registrations, the IMI's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment.

The IMI Group is allowed to continue to avail the incentives provided in the implementing Rules and Regulations of RA No. 11534 otherwise known as the Corporate Recovery and Tax Incentives Act (CREATE Law). Registered Business Enterprises (RBEs) currently availing of the 5% tax on gross income earned prior to the effectivity of CREATE Law shall be allowed to continue availing the tax incentive for ten years. The Special Corporate Income Tax (SCIT) shall be equivalent to a tax rate of 5% based on the gross income earned (GIE), in lieu of all national and local taxes.

For projects as Ecozone Export Enterprise under Supplemental Agreements with PEZA dated 09 December 2019 which were granted an ITH prior to the effectivity of the Act and that are entitled to the 5% tax on gross income earned incentive after the ITH are allowed to use the ITH for the period specified in the terms and conditions of its registration and thereafter, avail of the 5% tax on gross income earned incentive, subject to the 10 year limit for both incentives.

26. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to owners of the Parent Company:

	2021	2020	2019
	(In Thousands, except EPS figures)		
Net income attributable to the owners of the Parent Company			
Continuing operations	₱28,238,177	₱11,944,679	₱51,149,782
Segment under PFRS 5	(463,994)	5,197,035	(15,870,452)
Less: Dividends on preferred stock	(1,259,756)	(1,259,756)	(1,259,756)
	26,514,427	15,881,958	34,019,574
Less profit impact of assumed conversions of potential ordinary shares of investees	(₱58,634)	(₱41,861)	(₱51,642)
	26,455,793	₱15,840,097	₱33,967,932
Weighted average number of common shares	622,678	626,900	628,558
Dilutive shares arising from stock options	947	684	1,312
	623,625	627,584	629,870
EPS before operations of segment under PFRS 5			
Basic	₱43.33	₱17.04	₱79.37
Diluted	₱43.17	₱16.96	₱79.12
EPS			
Basic	₱42.58	₱25.33	₱54.12
Diluted	₱42.42	₱25.24	₱53.93

27. Defined Benefit Plan

The Parent Company and certain subsidiaries have their respective funded, noncontributory tax-qualified defined benefit type of retirement plans covering substantially all of their employees. The benefits are based on defined formula with a certain minimum lump-sum guarantee of effective salary per year of service. The consolidated retirement costs charged to operations amounted to ₱1,375.7 million, ₱916.2 million and ₱926.1 million in 2021, 2020 and 2019, respectively, net of retirement costs of segment reclassified to PFRS 5 amounting ₱104.1 million in 2019.



The Parent Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Parent Company, governed by a board of trustees appointed under a Trust Agreement between the Parent Company and the initial trustees. It holds common and preferred shares of the Parent Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee include the Parent Company's Chief Finance Officer, Group Head of Corporate Governance, General Counsel, Corporate Secretary and Compliance Officer, Head for Strategic Human Resources, Treasurer and Comptroller. ACEWRF has not exercised voting rights over any shares of the Parent Company that it owns.

For the subsidiaries, the funds are generally administered by a trustee bank under the supervision of the Board of Trustees of the plan for each subsidiary. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity.

Existing regulatory framework in the Philippines requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. Some of the entities of the Group also provides additional post employment healthcare benefits to certain senior employees in the Philippines.

The components of expense (included in personnel costs under "Cost of rendering services" and "General and administrative expenses") in the consolidated statements of income follow:

	2021	2020	2019
	(In Thousands)		
Current service cost	₱1,244,415	₱735,991	₱875,495
Past service cost	(27,986)	-	-
Net interest cost on benefit obligation	170,524	179,206	160,820
Loss (gain) on curtailment and settlements	(11,213)	1,010	(6,049)
Reclassification to PFRS 5	-	-	(104,148)
Total pension expense	₱1,375,740	₱916,207	₱926,118

The remeasurement effects recognized in other comprehensive income (included in Equity under "Remeasurement losses (gains) on defined benefit plans") in the consolidated statements of financial position follow:

	2021	2020	2019
	(In Thousands)		
Loss (gain) on plan assets (excluding amount included in net interest)	₱60,320	₱55,869	(₱261,290)
Actuarial (gain) loss due to liability assumption changes - experience and demographic assumptions	(730,377)	183,736	389,358
Actuarial (gain) loss due to liability assumption changes - financial	(597,878)	692,207	947,590
Reclassification to PFRS 5	-	-	(90,526)
Remeasurements in other comprehensive income	(₱1,267,935)	₱931,812	₱985,132



The funded status and amounts recognized in the consolidated statements of financial position for the pension plan as of December 31, 2021 and 2020, are as follows:

	2021	2020
	(In Thousands)	
Benefit obligations	₱8,258,125	₱9,786,399
Plan assets	(4,237,502)	(4,692,993)
Net pension liability position	₱4,020,623	₱5,093,406

As of December 31, 2021 and 2020, pension assets (included under "Other Noncurrent Assets") amounted to ₱68.1 million and ₱22.5 million (see Note 15), respectively, and pension liabilities amounted to ₱4,020.6 million and ₱5,093.4 million, respectively.



Net benefit cost in consolidated statement of income

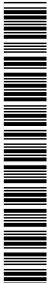
Remeasurements in other comprehensive income[illegible]

Net benefit cost in consolidated statement of income

Remeasurements in other comprehensive income

	January 1	Current service cost	Past Service Cost	Net interest	Loss (gain) on Curtailments and Settlements	Subtotal	Benefits paid	Return on plan assets*	Actuarial loss due to demographic assumption changes	Actuarial loss due to financial assumption changes	Subtotal	Transfer payments by employer	Contribution by employee	Foreign currency exchange differences	Settlements December 31
Present value of defined benefit obligation	P9,714,281	P735,991	P-	P421,792	P1,010	P1,158,793	P2,043,415	P-	P77,579	P106,157	P892,207	P875,943	P87,946	P-	P7,286,399
Fair value of Plan assets	G,565,233	-	-	(242,586)	-	(242,586)	2,186,738	55,889	-	-	55,889	19,047	(753,539)	(189)	(4,692,993)
Net defined benefit liability (asset)	P3,756,048	P735,991	P-	P179,206	P1,010	P916,207	P143,323	P55,889	P77,579	P106,157	P892,207	P856,893	(P753,539)	(P189)	(P5,093,406)

*Excluding amount included in net interest



The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

Present value of defined benefit obligation

	2021	2020
	(In Thousands)	
Balance at beginning of year	₱9,786,399	₱9,714,281
Current service cost	1,244,415	735,991
Interest cost	315,700	421,792
Past service cost	(27,986)	-
Remeasurements in other comprehensive income:		
Actuarial changes arising from experience adjustments and change in demographic assumptions	(730,377)	106,157
Actuarial changes arising from changes in liability assumptions	(597,878)	769,786
Benefits paid from plan assets	(1,254,506)	(2,043,415)
Settlements	(867)	(7,049)
Transfer payments	23,855	87,846
Foreign currency exchange difference	(489,417)	-
Loss (Gain) on curtailment and settlements	(11,213)	1,010
	₱8,258,125	₱9,786,399

Fair value of plan assets

	2021	2020
	(In Thousands)	
Balance at beginning of year	₱4,692,993	₱5,958,233
Contributions	609,377	753,639
Interest income on plan assets	145,176	242,586
Return on plan assets (excluding amount included in net interest)	(60,320)	(55,869)
Foreign currency exchange difference	-	189
Benefits paid	(1,094,939)	(2,186,738)
Transfer payments	(54,785)	(19,047)
Settlements	-	-
	₱4,237,502	₱4,692,993

The fair value of plan assets by each classes as of the end of the reporting period are as follows:

	2021	2020
	(In Thousands)	
Assets		
Cash and cash equivalents	₱18,240	₱9,511
Debt investments	1,896,395	2,646,332
Government securities	870,080	1,473,268
AAA rated debt securities	672,236	778,804
Not rated debt securities	354,079	394,260
Equity investments	1,932,093	1,948,743
Holding firms	1,055,490	1,010,681
Unit investment trust fund	554,520	429,510
Mutual funds	61,332	248,060

(Forward)



	2021	2020
	(In Thousands)	
Property	₱132,637	₱110,863
Financials	90,759	31,083
Others	37,355	118,546
Other assets	121,562	167,153
	3,968,290	4,771,739
Liabilities		
Trust fee payable	(1,052)	(1,501)
Other Liabilities	(197)	
	(1,249)	(1,501)
Net Asset Value*	₱3,967,041	₱4,770,238

*The difference of ₱270.5million and ₱77.2 million in the fair value of plan assets as of December 31, 2021 and 2020, respectively, pertains to movements after the valuation date.

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2021	2020
Discount rates	3.7% to 5.8%	3.3% to 5.5%
Future salary increases	3.0% to 8.0%	3.0% to 8.0%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		2021	2020
	Increase (decrease)	Net Pension Liabilities	
		(In Thousands)	
Discount rates	1%	(₱1,352,786)	(₱513,845)
	(1%)	136,777	711,979
Future salary increases	1%	107,678	694,575
	(1%)	(1,346,728)	(503,925)

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 58.77% of debt instruments, 38.09% of equity instruments and 2.97% other assets.

The Group expects to contribute ₱789.62 million to the defined benefit pension plan in 2022.



The average duration of the defined benefit obligation at the end of the reporting period is 6.0 to 24.3 years in 2021 and 7.0 to 24.0 years in 2020.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 (amounts in thousands):

	2021	2020
Less than 1 year	₱113,159	₱885,936
More than 1 year to 5 years	969,358	2,333,180
More than 5 years	45,464,430	38,072,550
	₱46,546,947	₱41,291,666

As of December 31, 2021 and 2020, the plan assets include shares of stock of the Parent Company with total fair value of ₱331.5 million and ₱397.2 million, respectively. The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares.

The fund includes investment in securities of its related parties. Details of the investment per type of security are as follows (amounts in thousands):

2021	Historical Cost	Fair Value	Unrealized Gain (Loss)
		(In Thousands)	
Equity securities	₱617,562	₱618,281	₱719
Debt securities	169,533	190,405	20,872
Unit investment trust funds	16,645	16,645	-
Others	55,379	55,379	-
	₱859,119	₱880,710	₱21,591

2020	Historical Cost	Fair Value	Unrealized Gain
		(In Thousands)	
Equity securities	₱1,142,699	₱1,136,531	(₱6,168)
Debt securities	1,307,327	1,343,714	36,387
Unit investment trust funds	17,085	17,085	-
Others	19,595	19,669	74
	₱2,486,706	₱2,516,999	₱30,293

The overall expected rate of return on assets is determined based on the market prices prevailing on that date.

The Group's transactions with the fund mainly pertain to contributions, benefit payments, settlements and curtailments.

28. Stock Option Purchase Plans

The Parent Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 3.0% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a defined period of time.



ESOP

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he/she is given 3 years to exercise his/her vested and unvested options. In case the grantee resigns, he/she is given 90 days to exercise his/her vested options.

A summary of the Parent Company's stock option activity and related information for the years ended December 31, 2021, 2020 and 2019 follows:

	2021		2020		2019	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, at beginning of year	371,286	₱354.21	934,456	₱282.66	1,024,067	₱287.82
Exercised	(253,086)	286.13	(556,307)	235.59	(89,611)	341.61
Cancelled	-	-	(6,863)	227.53	-	-
Outstanding, at end of year	118,200	₱499.98	371,286	₱354.21	934,456	₱282.66

The options have a contractual term of 10 years. As of December 31, 2021 and 2020, the weighted average remaining contractual life of options outstanding is 2 years and 1.76 years, respectively, and the exercise prices ranged from ₱264.1 to ₱500.0.

The fair value of each option is estimated on the date of grant using the Black-Scholes Merton Formula. The fair values of stock options granted under ESOP at each grant date and the assumptions used to determine the fair value of the stock options are as follows:

	April 26, 2013	April 18, 2011	April 16, 2010
Weighted average share price	₱640.00	₱352.08	₱303.70
Exercise price	₱500.00	₱264.06	₱227.53
Expected volatility	42.40%	41.21%	41.31%
Option life	10 years	10 years	10 years
Expected dividends	0.54%	0.86%	0.92%
Risk-free interest rate	3.04%	6.64%	8.56%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN

The Parent Company also has ESOWN granted to qualified officers wherein grantees may subscribe in full to the shares awarded to them based on the average market price determined by the Personnel and Compensation Committee as the offer price set at grant date. For any share awards unsubscribed, grantees still have the option to subscribe from the start of the fifth year but not later than on the start of the seventh year from date of grant.

To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year payment period. In case the grantee resigns, the unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, and payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may continue to subscribe to the unsubscribed shares anytime within the 10-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the plan are subject to the Parent Company's Right to Repurchase.

In 2015, the Parent Company introduced a revised ESOWN plan wherein grantees are given one (1) month from the time an allocation is awarded to subscribe in full, with any unsubscribed awards forfeited.



In April 2021 and 2020, the BOD approved the 2021 and 2020 stock option program pursuant to its Employee Stock Ownership Plan (the "Plan").

In 2021, the program authorizes the grant to 32 executives, in accordance with the terms of the Plan, stock options covering up to a total of 600,275 common shares at a subscription price of ₱749.47 per share, which is the rounded off volume-weighted average prices of our common shares at the PSE over the last 5-day trading days from April 16 to 22, 2021.

In 2020, the program authorizes the grant to 32 executives, in accordance with the terms of the Plan, stock options covering up to a total of 1,461,423 common shares at a subscription price of ₱470.72 per share, which is the rounded off volume-weighted average prices of our common shares at the PSE over the last 5-day trading days from March 13 to 23, 2020.

ESOWN grants totaling 558,849, 1,455,430 and 515,904 were subscribed in 2021, 2020 and 2019, respectively. Movements in the number of options outstanding under ESOWN as of December 31, 2021, 2020 and 2019 follow:

	2021		2020		2019	
	Number of options	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
At January 1	-	₱-	-	₱-	-	₱-
Granted	600,275	749.47	1,461,423	470.72	767,942	883.83
Subscribed	(558,849)	(749.47)	(1,455,430)	(470.72)	(515,904)	(883.83)
Expired	(41,426)	749.47	(5,993)	470.72	(252,038)	883.83
At December 31	-	₱-	-	₱-	-	₱-

The ESOWN grants are effectively treated as options on shares exercisable within a given period, considering both the subscription period allowed to grantees and the subscription payment pattern. As such, the fair values of these options are estimated on the date of grant using the Black-Scholes Merton Formula and Binomial Tree Model, taking into account the terms and conditions upon which the options were granted. These models require six inputs to produce the stock option value, which are namely: share price, exercise price, time to maturity, volatility rate, dividend yield, and risk-free rate.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	April 23, 2021	April 17, 2020	April 26, 2019	April 20, 2018	April 18, 2017	December 16, 2016	December 23, 2015	April 11, 2014
Number of unsubscribed shares	-	-	-	-	-	-	-	8,344
Fair value of each option	₱162.32	₱224.23	₱263.51	₱256.30	₱222.49	₱176.82	₱444.59	₱619.00
Share price	₱754.50	₱597.00	₱895.00	₱919.00	₱859.00	₱732.00	₱718.88	₱673.96
Exercise price	₱749.47	₱470.72	₱883.83	₱926.00	₱837.53	₱717.30	₱611.05	₱480.00
Expected volatility	32.69%	29.74%	29.17%	30.28%	29.55%	30.31%	38.23%	42.13%
Dividend yield	0.90%	1.27%	0.78%	0.75%	0.61%	0.70%	0.67%	0.74%
Interest rate	1.13%	3.03%	5.64%	3.68%	2.89%	1.46%	4.81%	4.38%

In 2021, 2020 and 2019 the Parent Company recognized ₱90.7 million, ₱326.4 million and ₱135.9 million as share-based payments expense, respectively.

Subscriptions receivable from the stock option plans covering the Parent Company's shares are presented under equity.

ALI

ALI has stock option plans for key officers and employees covering 2.5% of ALI's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.



ESOP

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of ALI or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

ALI has no ESOP grant and availment during 2021, 2020 and 2019.

ESOWN

In November 2001, ALI offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, ALI introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee of ALI as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of ALI or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to ALI's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula and Binomial Tree Model (BTM), taking into account the terms and conditions upon which the options were granted. The BSM Formula and BTM Model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate. The expected volatility was determined based on an independent valuation.

On August 17, 2020, the BOD approved ALI's 2020 stock option program pursuant to the company's Employee Stock Ownership Plan (the "Plan"), covering up to 18,194,618 common shares at a subscription price of ₱27.72 per share, which is the average price of ALI common shares at the Philippine Stock Exchange over the last 15-day trading as of August 14, 2020, less 15% discount.

On September 28, 2020, 169 stock option grantees subscribed to 14,845,498 common shares at ₱27.72 per share and became effective on the same day. As a result of the subscription of the 169 stock option grantees, the number of ALI outstanding common shares increased to 14,730,395,599.

On February 23, 2021 and April 21, 2021, the ALI BOD and stockholders, respectively, approved the amendment of the ESOWN Plan to increase the covered shares from 2.5% to 3% of the ALI's total authorized capital stock.

On May 3, 2021, 156 ESOWN grantees subscribed to a total of 11,389,265 common shares at ₱33.29 per share. The subscriptions became effective on the same day. The option price is the average price of common shares at the PSE over the last five trading days as of February 22, 2021, less a 15% discount. As a result of the subscriptions, the outstanding common shares of ALI increased to 14,711,784,864.



Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2021	WAEP	2020	WAEP	2019	WAEP
At January 1	-	P-	305,415	P35.94	5,601,470	P32.71
Granted	14,683,519	-	18,194,618	-	11,610,720	-
Subscribed	(11,389,265)	33.29	(14,845,498)	27.72	(10,453,766)	43.70
Availment	434,218	-	39,436	-	487,585	-
Cancelled	(3,728,472)	-	(3,693,971)	-	(6,940,594)	-
At December 31	-	P-	-	P25.03	305,415	P35.94

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date								
	March 15, 2021	August 17, 2020	March 21, 2019	March 28, 2018	March 01, 2017	April 05, 2016	March 20, 2015	March 20, 2014	March 18, 2013
Number of unsubscribed shares	-	-	-	-	-	181,304	-	1,369,887	1,713,868
Fair value of each option (BTM)	P-	P-	P-	P-	P8.48	P13.61	P16.03	P12.60	P16.05
Fair value of each option (BSM)	P9.25	P9.12	P17.13	P12.71	P-	P18.21	P20.63	P12.16	P11.85
Weighted average share price	P39.17	P32.61	P44.70	P41.02	P39.72	P35.58	P36.53	P31.46	P30.00
Exercise price	P33.29	P27.72	P44.49	P45.07	P35.81	P26.27	P29.58	P22.55	P21.45
Expected volatility	27.19%	25.05%	31.48%	34.04%	30.95%	32.03%	31.99%	33.50%	36.25%
Dividend yield	0.38%	0.81%	1.16%	1.22%	1.34%	1.27%	1.02%	1.42%	1.93%
Interest rate	1.03%	1.13%	5.57%	4.14%	4.41%	4.75%	4.11%	3.13%	2.78%

Total expense (included under "General and administrative expenses") recognized in 2021, 2020 and 2019 in the consolidated statement of income arising from share-based payments of ALI amounted to P150.1 million, P111.9 million and P142.9 million, respectively.

IMI

IMI Group has an ESOWN, which is a privilege extended to IMI Group's eligible managers and staff whereby IMI Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN.

The key features of the plan are as follows:

- The subscription price per share shall be based on the average closing price at the PSE for 20 consecutive trading days with a discount to be determined by the Compensation Committee of IMI.
- Term of payment is eight years reckoned from the date of subscription with specified percentage of payment (i.e., 2.5% initial payment, 5.0% on 1st anniversary, 7.5% on 2nd anniversary, 10% on 3rd anniversary and balance over remaining years).
- Holding period: 40%, 30% and 30% after one (1), two (2) and three (3) years from subscription date, respectively.

Movements in the number of shares outstanding under ESOWN in 2021, 2020 and 2019 follow:

	2021		2020		2019	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
At beginning of year	P137,376,951	P6.61	P137,692,186	P6.62	P139,364,849	P6.65
Forfeitures	(249,680)	8.19	(315,235)	10.49	(1,672,663)	9.39
At end of year	P137,127,271	P6.61	P137,376,951	P6.61	P137,692,186	P6.62

Total expense arising from share-based payments of IMI (included under "General and administrative expenses") in the consolidated statements of income amounted to nil, nil, and US\$0.3 million (P15.8 million) in 2021, 2020 and 2019, respectively.



29. Operating Segment Information

For management purposes, the Group is organized into the following business units:

- Parent Company - represents operations of the Parent Company including its financing entities such as ACIFL, AYCFIL, PFIL and MHI.
- Real estate and hotels - planning and development of large-scale fully integrated mixed-used communities that become thriving economic centers in their respective regions. These include development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of high-end, upper middle-income and affordable and economic housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.
- Financial services and insurance - commercial banking operations with expanded banking license. These include diverse services such as deposit taking and cash management (savings and time deposits in local and foreign currencies, payment services, card products, fund transfers, international trade settlement and remittances from overseas workers); lending (corporate, consumer, mortgage, leasing and agri-business loans); asset management (portfolio management, unit funds, trust administration and estate planning); securities brokerage (on-line stock trading); foreign exchange and capital markets investments (securities dealing); corporate services (corporate finance, consulting services); investment banking (trust and investment services); a fully integrated bancassurance operations (life, non-life, pre-need and reinsurance services); and other services (internet banking, foreign exchange and safety deposit facilities).
- Telecommunications (Telecoms) - provider of digital wireless communications services using a fully digital network; domestic and international long distance communication services or carrier services; broadband internet and wireline voice and data communication services; also licensed to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. In recent years, operations include developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes.
- Water - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery, sewerage and sanitation, distribution services, pipeworks, used water management and management services. In 2016, a new business initiative was undertaken where the group will exclusively provide water and used water services and facilities to all property development projects of major real estate companies.

In 2019 and 2020, investment in MWC was classified to "Assets and liabilities and operations of segment under PFRS 5" (see Note 24).

In June 2021, a Shareholders' Agreement was executed among the Parent Company, Philwater, ACEIC, and Trident Water as part of the closing actions for the latter's subscription to common shares in MWC (see Note 24). This resulted in the deconsolidation of MWC and its subsequent classification to investment in associate.



- Industrial Technologies - global provider of electronics manufacturing services (EMS) and power semiconductor assembly and test services with manufacturing facilities in Asia, Europe, and North America. It serves diversified markets that include those in the automotive, industrial, medical, telecommunications infrastructure, storage device, and consumer electronics industries. Committed to cost-development to manufacturing and order fulfillment, the company's comprehensive capabilities and global manufacturing presence allow it to take on specific outsourcing needs.
- Power - unit that will build a portfolio of power generation assets using renewable and conventional technologies which in turn will operate business of generating, transmission of electricity, distribution of electricity and supply of electricity, including the provision of related services.
- Automotive, Outsourcing and Others - includes operations of Automotive unit's business on manufacturing, distribution and sale and providing repairs and services for passenger cars and commercial vehicles. In 2016, this unit launched initiatives to include industrial manufacturing activity for long-term synergy and integration with automotive business. This segment also includes outsourcing services unit (venture capital for technology businesses and emerging markets; onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, full-service creative and marketing, human capital management solutions, and full-service accounting); International unit (investments in overseas property companies and projects); Aviation (air-chartered services); consultancy, agri-business and other operating companies. This business segment group also includes the companies for Infrastructure (development arm for various types of infrastructure); education, human capital resource management and health services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

For the years ended December 31, 2021, 2020 and 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

The various business segments in the Group is not affected by seasonality in operations.



The following tables regarding operating segments present assets and liabilities as of December 31, 2021, 2020 and revenue and income information for each of the three years in the period ended December 31, 2021 (amounts in millions):

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations / Consolidation Adjustments	Consolidated
Revenue									
Sales to external customers	P271	P96,376	P-	P-	P63,862	P34,332	P30,760	P-	P226,591
Intersegment	139	(231)	-	-	541	236	370	(1,055)	-
Share in net profits of associates and joint ventures	-	840	11,230	7,255	-	3,478	582	-	23,385
Interest income	-	6,801	-	-	-	-	-	-	6,801
Dividend income	59	-	-	-	-	12	-	-	71
	469	103,786	11,230	7,255	64,393	38,058	31,712	(1,055)	255,848
Costs and expenses									
Costs of sales and services	-	64,418	-	-	59,474	25,459	26,579	(35)	175,895
General and administrative	4,721	7,352	-	-	4,738	5,966	8,531	(1,007)	30,301
	4,721	71,770	-	-	64,212	31,425	35,110	(1,042)	206,196
Other income (charges)									
Interest income	246	253	-	-	15	4,407	293	(137)	5,077
Other income	4,846	736	-	-	244	5,239	3,101	956	15,122
Interest and other financing charges	(6,488)	(14,089)	-	-	(623)	(5,159)	(849)	15	(27,089)
	(1,396)	(13,096)	-	-	(264)	4,487	2,545	834	(6,890)
Net income (loss) before income tax	(5,648)	18,920	11,230	7,255	(83)	11,120	(853)	821	42,762
Provision for (benefit from) income tax	(3)	4,628	-	-	272	374	82	(441)	4,912
	(5,645)	14,292	11,230	7,255	(35)	10,746	(935)	1,262	37,850
Operations of the segment under PFRS 5	-	-	-	-	-	-	-	(1,814)	(1,814)
Net income (loss)	(P5,645)	P14,292	P11,230	P7,255	(P35)	P10,746	(P935)	(P552)	P36,036
Other information									
Segment assets	P66,999	P705,025	P-	P-	P57,397	P178,568	P58,703	(P40,497)	P1,026,195
Investments in associates and joint ventures	220,197	28,432	-	-	-	27,933	17,501	-	294,063
Deferred tax assets	107	12,890	-	-	144	616	1,556	881	16,294
Assets under PFRS 5	-	-	-	-	-	-	-	12,434	12,434
Total assets	P287,303	P746,347	P-	P-	P57,541	P207,117	P77,860	(P27,182)	P1,348,986
Segment liabilities	P181,632	P469,665	P-	P-	P33,724	P102,819	P28,304	(P41,652)	P774,492
Deferred tax liabilities	88	6,520	-	-	54	438	2,081	-	9,181
Total liabilities	P181,720	P476,185	P-	P-	P33,778	P103,257	P30,385	(P41,652)	P783,673
Segment additions to property, plant and equipment and investment properties	P195	P25,246	P-	P-	P1,581	P5,067	P1,496	P5,916	P39,501
Depreciation and amortization	P249	P8,881	P-	P-	P2,974	P2,473	P1,530	P645	P16,552
Non-cash expenses other than depreciation and amortization	P1,163	P495	P-	P-	(P63)	P290	P1,189	P3,226	P6,300
Cash flows provided by (used in):									
Operating activities	(P6,119)	P7,926	P-	P-	(P2,408)	P16,483	P821	(P10,553)	P6,150
Investing activities	P10,112	(P26,229)	P-	P-	(P1,660)	(P30,937)	P640	(P72,400)	(P72,400)
Financing activities	(P10,575)	P14,837	P-	P-	(P352)	P17,569	(P5,092)	P25,866	P42,253



2020

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations / Consolidation Adjustments	Consolidated
Revenue									
Sales to external customers	P236	P85,970	P-	P-	P56,288	P27,774	P23,354	P-	P133,622
Intersegment	113	43	-	-	(31)	669	536	(1,310)	-
Share in net profits of associates and joint ventures	-	579	10,057	5,591	-	1,682	(293)	-	17,616
Interest income	-	8,603	-	-	-	-	-	-	8,603
Dividend income	60	-	-	-	-	14	10	-	84
	409	95,195	10,057	5,591	56,237	30,139	23,607	(1,310)	219,925
Costs and expenses									
Costs of sales and services	-	56,505	-	-	51,472	16,344	18,379	1,481	144,161
General and administrative	4,512	8,719	-	-	5,057	4,855	9,562	(399)	32,326
	4,512	65,224	-	-	56,529	21,199	27,961	1,082	176,507
Other income (charges)									
Interest income	302	1,000	-	-	17	2,188	283	(506)	3,164
Other income	635	469	-	-	765	2,772	1,786	(301)	6,126
Interest and other financing charges	(5,970)	(16,000)	-	-	(520)	(4,990)	(739)	204	(28,015)
	(5,033)	(14,531)	-	-	262	(30)	1,330	(703)	(16,705)
Net income (loss) before income tax	(9,136)	15,440	10,057	5,591	(30)	8,910	(3,024)	(3,095)	24,713
Provision for (benefit from) income tax	49	4,147	-	-	245	885	(132)	46	5,240
	(9,185)	11,293	10,057	5,591	(275)	8,025	(2,892)	(3,141)	19,473
Operations of the segment under PFRS 5									
	(P9,185)	P11,293	P10,057	P5,591	(P275)	P8,025	(P2,892)	P6,556	P29,270
Other information									
Segment assets	P70,512	P694,552	P-	P-	P54,617	P120,285	P52,345	(P42,332)	P939,979
Investments in associates and joint ventures	191,365	26,570	-	-	-	23,705	13,368	-	255,008
Deferred tax assets	86	12,122	-	-	199	521	1,341	365	14,634
Assets under PFRS 5	-	-	-	-	-	-	-	196,137	196,137
Total assets	P261,963	P723,244	P-	P-	P54,816	P144,511	P67,054	P154,170	P1,405,758
Segment liabilities	P171,598	P454,149	P-	P-	P26,643	P96,645	P25,378	(P44,766)	P729,647
Deferred tax liabilities	85	7,149	-	-	92	816	1,256	-	9,398
Liabilities under PFRS 5	-	-	-	-	-	-	-	124,291	124,291
Total liabilities	P171,683	P461,298	P-	P-	P26,735	P97,461	P26,634	P79,525	P863,336
Segment additions to property, plant and equipment and investment properties	P135	P8,643	P-	P-	P899	P6,130	P1,970	(P873)	P16,904
Depreciation and amortization	P232	P9,573	P-	P-	P2,753	P2,401	P1,493	P3,420	P19,672
Non-cash expenses other than depreciation and amortization	P777	P738	P-	P-	P380	P634	P1,786	P2,831	P7,146
Cash flows provided by (used in):									
Operating activities	(P4,037)	(P12,575)	P-	P-	P3,335	P11,553	(P10)	(P7,209)	(P8,943)
Investing activities	P2,668	(P3,215)	P-	P-	(P648)	(P18,587)	(P5,847)	(P2,070)	(P27,699)
Financing activities	P6,395	P12,674	P-	P-	P1,482	(P6,996)	P6,588	P22,749	P44,990



2019

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Industrial Technologies	Power	Automotive and Others	Intersegment Eliminations / Consolidation Adjustments	Consolidated
Revenue									
Sales to external customers	P279,155	P157,474,375	P-	P-	P63,651,103	P12,665,849	P30,838,159	P-	P264,907-
Intersegment								(1,541)	-
Share in net profits of associates and joint ventures	-	956	13,567	6,766	-	1,130	(75)	-	22,344
Interest income	-	7,891	-	-	-	-	-	-	7,891
Dividend income	59	-	-	-	-	64	-	-	123
	493	166,696	13,567	6,766	63,754	14,708	30,922	(1,541)	295,265
Costs and expenses									
Costs of sales and services	-	94,752	-	-	58,530	11,441	26,188	(926)	189,963
General and administrative	4,097	9,518	-	-	5,425	4,045	9,043	(15)	32,113
	4,097	104,270	-	-	63,955	15,486	35,231	(943)	222,096
Other income (charges)									
Interest income	742	930	-	-	52	1,564	70	(6)	3,352
Other income	1,792	1,186	-	-	425	27,404	2,090	(608)	32,289
Interest and other financing charges	(5,594)	(13,694)	-	-	(675)	(2,267)	(611)	432	(22,409)
Other charges	-	-	-	-	-	-	-	-	-
	(3,060)	(11,578)	-	-	(198)	26,701	1,549	(182)	13,232
Net income (loss) before income tax	(6,664)	50,848	13,567	6,766	(399)	25,923	(2,761)	(881)	86,399
Provision for (benefit from) income tax	105	13,313	-	-	100	566	(5)	(95)	13,984
	(6,769)	37,535	13,567	6,766	(499)	25,357	(2,756)	(786)	72,415
Operations of the segment under PFRS 5									
	-	-	-	-	-	-	-	(30,433)	(30,433)
Net income (loss)	(P6,769)	P37,535	P13,567	P6,766	(P499)	P25,357	(P2,756)	(P31,219)	P41,982
Other information									
Segment assets	P69,273	P67,107	P-	P-	P55,330	P105,166	P43,140	(P36,175)	P913,841
Investments in associates and joint ventures	186,117	25,294	-	-	-	21,089	14,231	412	246,731
Deferred tax assets	83	11,528	-	-	267	901	1,056	109,762	14,247
Assets under PFRS 5	-	-	-	-	-	-	60,705	-	170,467
Total assets	P255,473	P713,929	P-	P-	P55,597	P127,156	P119,132	P73,999	P1,345,266
Segment liabilities	P149,684	P465,090	P-	P-	P30,922	P77,621	P19,961	(P36,829)	P706,449
Deferred tax liabilities	82	6,091	-	-	179	820	864	78,602	121,467
Liabilities under PFRS 5	-	-	-	-	-	-	42,885	-	121,467
	P149,766	P471,181	P-	P-	P31,101	P78,441	P63,710	P41,773	P835,972
Total liabilities									
Segment additions to property, plant and equipment and investment properties	P116	P35,852	P-	P-	P1,936	P49,811	P1,811	(P39,254)	P50,272
Depreciation and amortization	P270	P9,281	P-	P-	P2,567	P1,503	P1,258	P3,762	P18,641
Non-cash expenses other than depreciation and amortization	(P100)	P151	P-	P-	P249	P450	P832	P17	P1,599
Cash flows provided by (used in):									
Operating activities	P7,444	P42,452	P-	P-	P2,977	P2,004	P541	(P29,300)	P26,118
Investing activities	(P6,887)	(P48,061)	P-	P-	(P3,014)	(P4,271)	(P17,219)	(P30,405)	(P50,047)
Financing activities	P8,065	P3,025	P-	P-	P2,060	P35,814	P18,742	(P2,037)	P65,669



Geographical Segments

	Revenue			Total Assets		Investment Properties and Property, Plant and Equipment Additions	
	2021	2020	2019	2021	2020	2021	2020
Philippines	₱188,755	₱159,123	₱225,705	₱1,169,411	₱1,123,684	₱37,161	₱16,136
Europe	29,894	29,036	32,626	29,121	23,462	821	494
Asia	25,648	24,069	23,561	115,469	226,546	223	241
USA	11,552	7,697	13,373	34,985	32,066	244	33
	₱255,849	₱219,925	₱295,265	₱1,348,986	₱1,405,758	₱38,449	₱16,904

30. Leases

Group as a lessee

The Group has lease contracts for land, building, warehouses and various items of plant, machinery, vehicles and other equipment used in its operations. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of office space and machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets recognized and the movements during the period, net of amounts attributable to MWC, are as follows:

	2021			
	Right-of-use Assets			
	Land, Building and Improvements	Transportation Equipment	Others	Total
	(In Thousands)			
Cost				
At January 1*	₱20,960,023	₱1,670,902	₱774,169	₱23,405,094
Additions during the year	5,137,321	132,382	157,087	5,426,790
Modifications/adjustments	(1,344,082)	-	-	(1,344,082)
At December 31	24,753,262	1,803,284	931,256	27,487,802
Accumulated Depreciation and Amortization				
At January 1*	₱3,043,232	₱256,063	₱293,283	₱3,592,578
Depreciation (Note 23)	1,836,587	118,447	163,067	2,118,101
Capitalized depreciation	189,014	6,581	-	195,595
Cumulative translation adjustment	(7,562)	(4,698)	-	(12,260)
Modification/adjustments	354,517	103,833	138,492	596,842
At December 31	5,415,788	480,226	594,842	6,490,856
Net Book Value	₱19,337,474	₱1,323,058	₱336,414	₱20,996,946

	2020			
	Right-of-use Assets			
	Land, Building and Improvements	Transportation Equipment	Others	Total
	(In Thousands)			
Cost				
At January 1*	₱17,999,340	₱1,588,794	₱208,394	₱19,796,528
Additions				
Due to business combination	996,102	-	-	996,102
Additions during the year	2,205,264	82,108	551,519	2,838,891
Modifications/adjustments	(240,683)	-	14,256	(226,427)
At December 31	20,960,023	1,670,902	774,169	23,405,094

(Forward)



	2020			
	Right-of-use Assets			
	Land, Building and Improvements	Transportation Equipment	Others	Total
	(In Thousands)			
Accumulated Depreciation and Amortization				
At January 1*	₱1,326,257	₱182,615	₱8,279	₱1,517,151
Depreciation (Note 22)	1,620,379	102,143	208,322	1,930,844
Capitalized depreciation	6,183	731	—	6,914
Cumulative translation adjustment	60,400	4,744	3,315	68,459
Modification/adjustments	30,013	(34,170)	73,367	69,210
At December 31	3,043,232	256,063	293,283	3,592,578
Net Book Value	₱17,916,791	₱1,414,839	₱480,886	₱19,812,516

*Excluding MWC total cost of ₱368.3 million and total accumulated depreciation of ₱131.4 million.

The rollforward analysis of lease liabilities follows (in thousands):

	2021	2020
At January 1, 2021	₱24,117,720	₱22,381,166
Additions	4,979,114	2,994,028
Accretion of interest expense (Note 22)	1,731,977	1,714,322
Remeasurement due to lease modification/adjustments	(73,013)	39,775
Capitalized interest	—	24,210
Foreign exchange gain	—	(23,606)
Cumulative translation adjustment	30,269	(34,272)
Remeasurement due to termination of lease contract	—	(152,093)
Payments	(3,094,259)	(2,825,810)
Disposals	(78,051)	—
As at December 31	27,613,757	24,117,720
Current lease liabilities	(2,110,226)	(1,445,492)
Noncurrent lease liabilities	₱25,503,531	₱22,672,228

The following are the amounts recognized in the consolidated statement of income (in thousands):

	2021	2020
Depreciation expense of right-of-use assets	₱2,118,101	₱1,930,844
Interest expense on lease liabilities	1,731,977	1,714,322
Expense relating to short-term leases	323,260	187,007
Expense relating to leases of low-value assets	66,760	122,367
Variable lease payments	176,124	307,108
Foreign exchange loss	210	94
	₱4,416,432	₱4,261,742

The Group had a total cash outflows for leases of ₱3,094.3 million and ₱2,825.8 million in 2021 and 2020, respectively. In 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of ₱5,426.8 million and ₱4,979.1 million, respectively. In 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of ₱3,834.9 million and ₱2,994.0 million, respectively.

Shown below is the maturity analysis of the undiscounted lease payments (in thousands):

	2021	2020
Within one year	₱3,793,157	₱3,758,142
After one year but no more than five years	9,745,536	9,970,234
More than five years	57,199,231	52,993,780



The significant leases entered into by the Group are as follows:

Parent Company

On December 15, 2014, Mermac, Inc. (the Lessor) and the Parent Company entered into a Contract of Lease. The Lessor leases, lets, and demises unto the Parent Company, an office space constituting the Leased Premises, located at the 35th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The term of the lease shall be five (5) years, commencing on November 15, 2014 and ending on November 14, 2019. The lease is subject to annual escalation clause of 5% for the first 2 years and 10% for the next 2 years.

In 2019, the contract was renewed for another year with the same terms. It was again renewed in 2020, with lease term of one year commencing on November 14, 2020.

Future minimum rentals payable under non-cancellable operating leases follow:

	2021	2020
	<i>(In Thousands)</i>	
Within one year	₱9,245	₱8,516

ALI Group

ALI Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

ALI Group has lease contracts for land that contains variable payments based on certain percentage of gross rental income of the commercial centers. These terms are negotiated by management for certain commercial spaces without steady customer demand. Management's objective is to align the lease expense with the revenue earned. The following provides information on the ALI Group's variable lease payments, including the magnitude in relation to fixed payments (in thousands):

	2021		
	Fixed Payments	Variable Payments	Total
Fixed	₱1,471,313	₱—	₱1,471,313
Variable rent with minimum payment	19,533	1,299	20,832
Variable rent only	—	19,543	19,543
At December 31	₱1,490,846	₱20,842	₱1,511,688

	2020		
	Fixed Payments	Variable Payments	Total
Fixed	₱1,504,945	₱—	₱1,504,945
Variable rent with minimum payment	115,669	164,885	280,554
Variable rent only	—	146,490	146,490
At December 31	₱1,620,614	₱311,375	₱1,931,989

ALI

On January 2017, ALI signed a Lease Agreement with Philippine Racing Club, Inc. for the lease of land located in Circuit Makati, Brgy. Carmona, Makati City with an aggregate area of 12,793 sqm. The term of the lease shall be twenty-three (23) years and three (3) months commencing from Delivery Date. The Lessee shall have the option to renew the lease under the same terms and conditions for another period of five years, provided that renewal period shall be mutually agreed by the Parties. For the period commencing from delivery date until sixty-three (63) months thereafter,



the Lessee shall pay the Lessor the rent amounting to ₱100.00 million. Commencing on the sixty fourth month from execution of the contract until the end of the lease term, the Lessee shall pay the Lessor the rent equal to fifty percent (50%) of the Gross Income of the Lessee.

On September 2018, the ALI signed a Lease Agreement with Manila Seedling Bank Foundation, Inc. (MSBFI) for the lease of a 4.5-hectare portion of land located at the corner of EDSA and Quezon Avenue, Diliman, Quezon City. The term of the lease shall be coterminous with the Lessor's usufruct over the Leased Premises, or until September 20, 2027.

Bay City

On September 2, 2014, ALI signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. ALI signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and ALI. ALI assigned the parcels of land to Bay City in December 2017.

ALI also signed the Air Rights and Basement Rights over the leased property with an aggregate area of 1,686.48 sqm and 8,294 sqm, respectively, subject to the same terms and conditions as the contract of lease dated September 2, 2014.

Ayalaland MetroNorth, Inc. (AMNI)

On January 28, 2011, the Board of Regents of the University of the Philippines awarded to AMNI the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. AMNI signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants. The rights were subsequently assigned by ALI to the Company in 2015.

A retail establishment with about 63,000 sqm of gross leasable area and an office/BPO building about 8,000 sqm of gross leasable area shall be constructed on the property.

NTDCC

The Company entered into an assignment agreement with MRTDC wherein the latter has assigned its development rights to the Company in exchange for the Company's assumption of DRP obligation beginning January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration with escalation rate of 3% annually starting inception.

In consideration of the lease, the Group will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Group's commercial center business. Of the 5% variable amount due, 2.42% shall be directly paid by the Group to the minority shareholders of Monumento Rail Transit Corporation, 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables.

On January 13, 2006, the deed of assignment between MRTDC and NTDCC was acknowledged by DOTC making MRTDC and NTDCC jointly and severally liable for the DRP and all other obligations attached thereto. NTDCC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration. As of December 31, 2020, the DRP obligation amounted to ₱3,703.3 million. Total DRP obligation paid amounted to ₱244.0 million in 2020.

On October 29, 2015, the Company entered into a non-cancellable land lease agreement with GERI for the lease of an aggregate of 10,994.86 square meters undivided portions of the North Avenue Lot Pad A and North Avenue Lot Pad B to which the latter is entitled to development rights. The agreement shall be effective until August 8, 2047, subject to the extension of the development rights period.



During 2016, the Company entered into non-cancellable land lease agreement with Anglo, DBH and Allante which shall be effective until August 8, 2047.

ALICAP

In December 2017, the ALICAP entered into 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1440 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US\$0.42 million. The ATR72-600 with MSN 1440 was delivered to ALICAP in February 2018 and has started flight operations in March 2018. ALICAP, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term for US\$14.16 million.

In June 2018, ALICAP entered into another 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1492 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US\$0.42 million. The ATR72-600 with MSN 1492 was delivered to ALICAP on the same month and has started flight operations in August 2018. ALICAP, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term amounting to US\$14.16 million.

AHRC

On January 30, 2018, the AHRC signed a Lease Agreement with Dunes & Eagle Land Development Corporation for the lease of ten parcels of land located at Barangay Mactan, Lapu-Lapu City, Mactan Island, Cebu with an aggregate area of 3,220 sqm. The term of the lease shall be for a period of fifty (50) years commencing from the date of execution of the agreement. Rent payment should be as follows: (a) ₱70 million per annum for the first 5 years (b) 5% of Gross Revenues or ₱70 million per annum whichever is higher for the 6th year to the 30th year, and (c) 5.5% of Gross Revenues or ₱70 million per annum whichever is higher for the 31st year to the 50th year.

On July 26, 2012, ALI entered into a renewable contract of lease with Province of Negros Occidental for 40,481 square meters area of land with a monthly lease of ₱73.00 per square meter which shall be escalated every five years by ten percent (10%) of the current rate of rent. The term of the lease shall be for a period of fifty (50) years commencing from the date of delivery subject to renewal by mutual agreement of the parties under such terms and conditions as may be mutually acceptable. AHRC has assessed that the lease agreement is a non-cancellable lease. On December 23, 2014, ALI assigned its rights and obligations to Capitol Central Hotel Ventures, Inc. under the Contract of Lease Assignment over a portion on which Seda Capitol Central was constructed equivalent to an area of 3,714.80 square meters. The agreement on lease assignment transfers and conveys the Company to take over the lease of the assigned portion subject to the same terms and conditions contained in the contract of lease.

Bonifacio Hotel Ventures, Inc. entered into a non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which Seda BGC Tower 1 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel's gross income for its 1st year of operation, 4% of the Hotel's gross income for its 2nd year of operation, and 5% of the Hotel's gross income for the succeeding years or ₱350 per square meter for the 1st year, ₱375 per square meter for the 2nd year and ₱400 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period. The Company entered into another non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which the Seda BGC Tower 2 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel's gross income for its 1st year of operation, 4% of the Hotel's gross income for its 2nd year of operation, and 5% of the Hotel's gross income for the succeeding years or ₱575 per square meter for the 1st year, ₱616.06 per square meter for the 2nd year and ₱657.15 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period.



ALLHC

On August 28, 1990, the Company, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. in a contract of lease of the land owned by PNR for the Tutuban Terminal. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of 25 years until 2014 and is automatically renewable for another 25 years, subject to compliance with the terms and conditions of the lease agreement. On December 22, 2009, ALLHC entered into an agreement with PNR for the renewal of its lease contract for another 25 years beginning September 5, 2014.

Station Square East Commercial Corporation (SSECC)

ALI has an existing contract with Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 sqm on a 9.8-hectare lot inside Fort Bonifacio. Subsequently, ALI transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues.

Capitol

On April 26, 2012 ALI signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of Negros Occidental. ALI signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Company. ALI assigned the parcels of land to Capitol in December 2017.

Arvo Commercial Corporation (Arvo)

On October 15, 2014, Arvo entered into a property lease agreement with Rotonda Development Corporation for the construction, development and operation of a commercial and mall center. The terms of the lease shall be 42 years, with an option to renew for another 40 years subject to mutual agreement of the parties. The lease agreement provided rent-free period of 2 years and lease payments shall commence thereafter. Lease payments shall be paid annually at ₱60.00 per sqm, subject to an annual escalation of 4%.

IMI Group

IMI Group has various operating lease agreement in respect of plant facilities, office spaces and land. These lease agreements have terms ranging from 5 to 15 years, fixed payment subject to escalation clauses, renewal option and early termination penalties.

Operating leases - as lessor

ALI Group

ALI Group have lease agreements with third parties covering their investment properties portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of ALI Group are as follows:

	2021	2020
	(In Thousands)	
Within one year	₱5,591,888	₱9,961,331
After one year but not more than five years	15,982,405	33,927,015
More than five years	56,106,720	30,014,821
	₱77,681,012	₱73,903,167



In 2021 and 2020, ALI Group granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱7.2 billion and ₱6.15 billion. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payments and reported as reduction of lease income in 2021 and 2020.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. 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.

Total rental income from the lease agreements amounted to ₱18,598.4 million, ₱18,468.9 million and ₱31,687.1 million in 2021, 2020 and 2019, respectively (see Note 21).

31. 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. Related parties may be individuals or corporate entities.

All publicly-listed and certain member companies of the Group have Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

The Parent Company has an approval requirement such that material related party transactions (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to ₱50.0 million or five (5) percent of the total assets, whichever is lower and other requirements as may be determined by the Committee upon the recommendation of the Parent Company's Risk Management.

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of deposits/placements, advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms.

The transactions and balances of accounts with related parties follow:

a. Transactions with BPI, an associate

1. As of December 31, 2021 and 2020, the Group maintains current and savings account, money market placements and other short-term investments with BPI broken down as follows (amounts in thousands):

	2021	2020
Cash in banks	₱14,189,571	₱6,724,006
Cash equivalents	19,955,443	8,091,312
Short-term investments	588,893	449,630
Financial assets at FVTPL	197,432	305,136
Financial assets at FVOCI	252,943	262,021
Other noncurrent assets - others (Note 15)	—	4,083,252



2. From the Group's placements and short-term investments with BPI, the Group has accrued interest receivable amounting to ₱4.7 million and ₱1.6 million as of December 31, 2021 and 2020, respectively. Cash in banks and cash equivalents earn interest at 2.5% to 6.0% per annum for Philippine Peso-denominated and 1% to 3% per annum for USD-denominated investments. Investment in FVTPL pertain to MMF which earns interest depending on the duration of time invested in the fund with fair value of ₱197.4 million and ₱305.1 million, as of December 31, 2021 and 2020, respectively. Interest income earned from all the deposits, placements and investments amounted to ₱128.1 million in 2021, ₱231.6 million in 2020 and ₱626.8 million in 2019.

The Group also has short-term and long-term debt payable to BPI aggregating to ₱40.8 billion and ₱38.5 billion as of December 31, 2021 and 2020, respectively. These short-term and long-term debts are interest bearing with varying rates ranging from 1.44% to 7.46%, have various maturities starting 2019 and varying schedules of payments for interest. The Group has accrued interest payable pertaining to the outstanding balance of the short-term and long-term debt amounting to ₱90.9 million and ₱41.3 million as of December 31, 2021 and 2020, respectively. Interest expense incurred from the debt amounted to ₱1,655.5 million in 2021, ₱839.8 million in 2020 and ₱578.6 million in 2019.

Transactions with BPI will be settled in cash.

- b. Outstanding balances of related party transactions follow (amounts in thousands):

	Receivables		Payables	
	2021	2020	2021	2020
Associates:				
GN Power Kauswagan Ltd. Co.(GNPK)	₱10,663,443	₱-	₱-	₱-
Rize-Ayalaland (Kingsway) GP Inc.	733,070	-	-	-
Manila Water Co. Inc. (MWCI)	611,281	-	260,115	-
Alveo-Federal Land Communities, Inc.	480,981	218,600	-	-
BPI	452,918	486,272	201,914	182,703
Cebu District Property Enterprise, Inc. (CDPEI)	213,297	168,909	69	69
BF Jade E-Services Philippines Inc	71,193	101,126	10	-
Honda Cars Philippines, Inc.(HCP)	63,888	83,271	113,063	206,694
Mercado General Hospital, Inc. (MGHI)	41,468	-	-	-
Tianjin Eco-City Ayala Land Development Co., Ltd.	24,024	-	-	-
Bonifacio Land Corp. (BLC)	573	573	212,696	212,696
	13,356,136	1,058,751	787,867	602,162
Joint ventures:				
ALI-ETON Property Development Corporation	2,630,619	3,012,391	3,958	4,236
Yoma Group	1,303,663	3,419,054	-	-
The Blue Circle Pte. Ltd. (TBC)	732,538	487,500	-	-
AMI AC Renewables Corporation (AAR)	596,320	127,869	-	-
UPC-AC Energy Australia HK Ltd.	494,156	1,100,855	-	-
Globe	246,832	257,721	58,303	43,540
Panay Medical Ventures Inc.(PMVI)	81,959	-	-	-
UPC Renewables Asia III Limited (UPC III)	55,789	137,062	-	-
Maibara Geothermal, Inc.	-	-	-	128,447
	6,141,876	8,542,452	62,261	176,223
Other related parties:				
Asian Wind 1 /Asian Wind Power 2 HK Ltd.	6,140,672	1,093,370	-	-
BIM Wind Power Joint Stock Company (BIM Wind)	4,465,395	866,567	-	-
Vietnam Wind Energy Limited	4,371,689	1,187,241	-	-
BIM Renewable Energy Joint Stock Company (BIMRE)	2,122,276	1,763,469	-	-
Greencore Power Solutions 3, Inc	2,059,458	-	-	-
UPC Solar Asia Pacific Ltd.	1,317,823	826,107	-	-
Fort Bonifacio Development Corporation (FBDC)	645,055	1,256,517	12,553	155,466

(Forward)



	Receivables		Payables	
	2021	2020	2021	2020
North Luzon Renewable Energy Corp.	₱24,908	₱3,062,083	₱-	₱-
Masaya Solar Energy Private Ltd	129,474	-	-	-
AKL Properties Inc.	79,455	-	-	-
Columbus Holdings, Inc.	-	-	267,355	267,355
Others	529,959	456,782	234,340	74,757
	21,886,164	10,512,136	514,248	497,578
	₱41,384,176	₱20,113,339	₱1,364,376	₱1,275,963

1. Receivable from GNPk pertains to US\$200.00 million interest bearing ASI loan to GNPk to partially pre-pay the latter's outstanding senior loans. The loan is subject to interest compounding semi-annually ranging from 5.00% to 12.50% which shall accrue starting January 1, 2021. The maturity date of the loan is the later of the (1) final maturity of date of GNPk senior loans (due 2031); and (2) full payment on, and redemption of full interest of a partner in GNPk (Note 24).
2. Receivable from Manila Water pertains to Design and Build of Calawis Water Treatment Plant and various reimbursements. Payable to Manila Water pertains to down payment and recoupment for the same project.
3. Receivable from BPI includes trade receivables on vehicles sold and financing dealer incentives by ACI group, dividends receivable and accrued interest receivables on short-term placements by the Group.
4. Receivable from CDPEI pertains to development and construction related costs while accounts from Alveo-Federal Land mainly consist of marketing and management fees and construction costs.
5. Receivable from BF Jade pertains to delivery services provided by the Group to BF Jade which are normally collectible within 15 to 45 days from invoice date, as well as from rent receivable arising from the lease of the MCX ECC Facility. Payable to BF Jade pertains to COD collections payable which consists of amounts collected on behalf of the Group's clients pertaining to parcels delivered with a cash-on-delivery scheme and remitted to the client normally 5-7 days after collection.
6. Receivable from HCP pertains to marketing and sales incentives arising from the sale of vehicles. Payable to HCP consist of purchased parts and accessories and vehicles that are trade in nature, interest-free, unsecured and are payable within 15 to 30 days.
7. Receivable from MGHI and Panay Medical includes 5-year loan subject to interest of 4% (Note 35), billings related to Testing/Laboratory sites, and receivable for rent and utilities.
8. Receivable from BLC pertains to parcels and documents delivery by Entrego.
9. Receivable from ALI-ETON pertains to the sale of land by Alveo to ALI-ETON.
10. Receivable from Yoma Group includes an interest-bearing loan facility to fund the development of Yoma Micro Power and is guaranteed by Yoma. The loan facility is drawable in tranches. The loan and interest are payable on June 30, 2022. In 2021, the US\$46.4 million loan agreement with YSH was restructured and converted into shares (Note 10).
11. Receivable from TBC pertain to the interest-bearing loan agreement it has entered into with AC Energy to fund the development costs for the pipeline projects of TBC. The loan and interest are payable on June 30, 2022.
12. Receivable from AAR and UPC III pertains to accrued interest income on dividend yields from investments in the redeemable preference shares.
13. Receivable from UPC Australia pertains to an interest-bearing loan facility agreement for the implementation of the borrower's business plans. The principal and interests are payable on December 9, 2022.
14. Receivable from Globe includes trade receivables on vehicles sold and project management and professional fees.



15. Receivable from Asian Wind 1 pertains to an interest-bearing loan agreement to refinance the Preferred B Facility Agreement with ACEIC and to provide additional funding for the development, financing and construction of the Dai Phong Project. The interest-bearing loan has a total facility of US\$61.0 million and bears an annual fixed rate and payable 12 months from the commissioning date. On December 29, 2021, the maturity was amended to June 30, 2022.
16. Receivable from Asian Wind 2 pertain to a Preferred B Facility Agreement with Asian Wind Power 2 HK to make available a convertible term loan facility (convertible to redeemable preferred shares) in an aggregated amount not exceeding US\$54.00 million (P2,617.00 million) to finance the development and construction of Hong Phong 1 Project. The principal and interest are payable on earlier of 5 business days from the date of drawdown of Debt Replacement facility or 25th anniversary of drawdown date. The redeemable preferred shares shall earn coupon rate which is fixed, cumulative, and compounding annually and are not entitled to any additional dividends, is redeemable only by cash at the issuer's option on "first in first out".
17. Receivable from BIM Wind pertains to an interest-bearing loan agreement to fund the pre-development costs and turbine reservation fees for the project of BIM Wind in Vietnam. The interest-bearing loan has a total facility of US\$45.00 million and bears an annual fixed interest and payable 5 months from the drawdown date. On May 19, 2021, the loan facility was amended to increase the principal amount and extend the maturity to 10 years.
18. Receivable from Vietnam Wind Energy pertains to an interest-bearing loan facility to provide bridge financing and to partially fund the construction of the Soc Trang Wind projects. On December 31, 2021, the loan facility was further amended to increase the principal aggregate amount and extend the maturity date to June 30, 2022.
19. Receivable from BIMRE pertains to an interest-bearing loan agreement to partially fund the construction of the incremental project expansion. The interest-bearing loan has a total facility of US\$40.00 million, bears an annual fixed interest and is payable 12 months from the drawdown date. First drawdown was made on June 9, 2020 and subsequently on January 4, 2021.
20. Receivable from Greencore pertains to interest bearing loan agreement to finance the development, construction, operation and maintenance of the power plant (Note 10). The loan is secured by (1) a real estate mortgage over Greencore's real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of Greencore in favor of ACEN, and (3) the cashflows of the project
21. Receivable from UPC Solar pertains to the loan agreement it has entered into with AC Energy Group to fund the development and construction of renewable energy assets in Asia. The loan and interest are payable on January 31, 2023.
22. Receivable from FBDC largely pertains to management fees which are included under "Other income" and billed and unbilled receivables of MDC Group for the construction of FBDC's projects.
23. Receivable from Masaya Solar pertains to loan facility to fund the development of Masaya Solar in Madhya Pradesh, India. The loan is payable in 3 years from utilization date.
24. Receivable from AKL pertains to construction of Newton Project and various recoveries.
25. ACEIC Group's interest-bearing receivables with related parties bear interest ranging from 2.65% to 12% annually.
ACEIC Group has redeemable preferred shares and convertible loans with related parties. Refer to Note 15 for the details of the transactions, balances, and terms and conditions. As of December 31, 2021 and 2020, accrued interest receivable of ACEIC Group from its interest-bearing receivables, redeemable preferred shares and convertible loans from related parties amounted to P4,070.6 million and P1,166.6 million, respectively.
26. Other outstanding balances of receivable from related parties at year-end pertain mostly to advances, including those for project development, logistics and reimbursement of operating expenses
27. All these are unsecured, interest free, will be settled in cash and are due and demandable, unless otherwise stated.



28. Payable to BPI includes interest payable on Group's borrowings payable at various payment terms like monthly or quarterly and insurance premiums payable which are due in 30-60 days.
29. Payable to Columbus pertains to non-interest bearing advances for stock redemption.
30. The other outstanding balances of payable to related parties at year-end pertains to advances, including those for development costs and land acquisitions, and expenses incurred on utilities, professional services, logistics and other miscellaneous services. Unless otherwise stated, all these are unsecured, interest free, will be settled in cash and are due and demandable.
31. Allowance for doubtful accounts on amounts due from related parties amounted to ₱3.6 million and ₱10.1 million as of December 31, 2021 and 2020, respectively. Reversal of provision for doubtful accounts amounted to ₱17.4 million in 2019 (see Note 7). Provision for doubtful accounts amounted to ₱50.4 million in 2018 (see Note 23).

Other related parties pertain to entities which are either subsidiaries, associates or joint ventures of the Group's associates or joint ventures.

Dividends receivable from related parties pertain to accrued dividend declarations from associates and joint ventures. These are non-interest bearing and usually collectible within one year. This amounted to ₱11.9 million and nil as of December 31, 2021 and 2020, respectively (see Note 7).

- c. Receivables from officers and employees amounting to ₱1,265.9 million and ₱1,434.2 million as of December 31, 2021 and 2020 pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction, are interest bearing ranging from 6.0% to 10.0% per annum and have various maturity dates ranging from 2019 to 2027 (see Note 7).
- d. Revenue and expenses from related parties follow:

	Revenue			Costs and Expenses		
	2021	2020	2019	2021	2020	2019
	(In Thousands)					
Associates:						
BPI	₱690,003	₱712,045	₱1,178,279	₱1,879,814	₱1,728,437	₱629,603
Manila Water Co	454,554	—	—	261,524	—	—
BF Jade	355,389	229,892	171,662	5,652	—	10,288
Yoma Strategic Holdings Ltd	133,251	—	—	—	—	—
HCPI	13,574	21,414	11,810	3,528,292	4,678,668	7,318,560
Joint ventures:						
Globe	384,749	216,926	320,500	361,318	270,430	301,542
UPC AC Energy Australia HK Ltd.	600,597	96,366	—	—	—	—
AMI AC Renewables Corporation (formerly New Energy Investments Corp)	579,614	229,888	—	—	—	—
UPC Renewables Asia III Ltd	201,669	205,973	—	—	—	—
BIM Expansion	186,173	56,165	—	—	—	—
Greencore Power Solutions 3, Inc	57,387	—	—	—	—	—
The Blue Circle Pte. Ltd.	56,572	59,610	—	—	—	—
	3,713,532	1,828,279	1,682,251	6,036,600	6,677,535	8,259,993

(Forward)



	Revenue			Costs and Expenses		
	2021	2020	2019	2021	2020	2019
	(In Thousands)					
Other related parties:						
Vietnam Wind Energy	₱549,197	₱164,727	₱-	₱-	₱-	₱-
Asian Wind Power 1 HK Limited	379,669	362,131	-	-	-	-
Asian Wind Power 2 HK Ltd.	367,250	99,324	-	-	-	-
BIM Wind	308,590	-	-	-	-	-
UPC AC Energy Solar Ltd.	205,636	61,031	-	-	-	-
BIM Renewable Energy Joint Stock Company	156,473	135,446	-	-	-	-
FBDC	-	-	-	18,571	13,690	13,890
Others	340,872	93,380	42,424	9,492	30,785	59,343
	2,307,687	916,039	42,424	28,063	44,475	73,233
	₱6,021,219	₱2,744,318	₱1,724,675	₱6,064,663	₱6,722,010	₱8,333,226

Revenue recognized from related parties includes:

1. Leasing and project development and management services rendered by ALI Group.
2. Water and sewerage services rendered by MWC.
3. Automotive sales and repair services rendered by ACI Group.
4. Energy sales provided by ACEIC Group.
5. Interest and miscellaneous income from cash deposits and money market placement as well as financing dealer incentive from BPI and other entities.
6. Interest income earned by ACEIC Group on interest-bearing receivables, redeemable preferred shares and convertible loans from related parties.
7. Others include various income such as interest and management fees.

Expenses recognized from related parties include:

1. Interest expense from short-term and long-term debt and credit card and other bank charges payable to BPI.
2. Purchases of communications software and billings for mobile phone charges and internet connections with Globe.
3. Building rental, leased lines, internet connections and ATM connections with Innove, subsidiary of Globe.
4. Purchases of vehicles and parts and accessories from HCP.
5. Others include miscellaneous operating expenses such as professional and management services.

e. The Group's compensation of key management personnel by benefit type follows:

	2021	2020	2019
	(In Thousands)		
Short-term employee benefits	₱1,317,877	₱1,438,860	₱1,681,229
Post-employment benefits	131,867	182,820	91,166
Share-based payments	-	153	7,616
	₱1,449,744	₱1,621,833	₱1,780,011

Key management personnel of the Group include all officers with position of vice president and up.

- f. Integrated Micro-Electronics Bulgaria EOOD (IMI BG) has agreed to provide continuing operational, investment and financial assistance to the facilities of C-Con GmbH (C-Con), a related party and an entity under common control of ACI, for C-Con will duly and timely perform all required obligations under contracts to be entered into with a particular customer. In case of C-Con's failure to perform its contractual obligations under the contract including but not limited to failure to perform due to C-Con's insolvency (Breach), IMI BG will indemnify and hold harmless the customer from any and all costs, liabilities, damages, losses, and reasonable amount of actually-incurred out of pocket expenses (including court costs and legal expenses) of the customer occasioned by or arising from such Breach.



As consideration for extending said guarantee, IMI BG will be charging C-Con a guarantee fee equivalent to two (2%) of the revenue for the projects won using or relying upon IMI BG's guarantee. Additionally, IMI BG's guarantee to C-Con is backstopped by AC Industrials (Singapore) Pte. Ltd., another related party of IMI BG.

32. Financial Instruments

Financial Risk Management

General

Like any other risks, financial risks are inherent in the business activities and are typical of any large holding company. The financial risk management of the Parent Company seeks to effectively contribute to better decision making, enhance performance, and satisfy compliance demands.

The Parent Company defines financial risks as risk that relates to the Parent Company's ability to meet financial obligations and mitigate funding risk, credit risk and exposure to broad market risks, including volatility in foreign currency exchange rates and interest rates. Funding risk refers to the potential inability to meet contractual or contingent financial obligations as they arise and could potentially impact the Parent Company's financial condition or overall financial position. Credit risk is the risk of financial loss arising from a counterparty's failure to meet its contractual obligations or non-payment of an investment. These exposures may result in unexpected losses and volatilities in the Parent Company's profit and loss accounts.

The Parent Company maintains a strong focus on its funding strategy to help provide access to sufficient funding to meet its business needs and financial obligations throughout business cycles. The Parent Company's plans are established within the context of our annual strategic and financial planning processes. The Parent Company also take into account capital allocations and growth objectives, including dividend pay-out. As a holding company, the Parent Company generates cash primarily on dividend payments of its subsidiaries, associates and joint ventures and other sources of funding.

The Parent Company also establishes credit policies in setting up limits for counterparties that are reviewed quarterly and monitoring of any changes in credit standing of counterparties.

The Parent Company has a formal foreign exchange and interest rate risk management policy. The Parent Company actively monitors foreign exchange exposure and interest rate changes. And in addition, the Parent Company ensures that all loan covenants and regulatory requirements are complied with.

The Ayala Group continues to monitor and manage its financial risk exposures in accordance with Board approved policies. The succeeding discussion focuses on Ayala Group's financial risk management.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at amortized cost, FVTPL and FVOCI, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as cash and cash equivalents, short-term investments, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The Group's main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, price risk, liquidity risk, and credit risk.

The Group also uses hedging instruments, the purpose of which is to manage the currency and interest rate risks arising from its financial instruments.



The Group's risk management policies relevant to financial risks are summarized below:

The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' obligations. The policy is to keep a certain level of the total obligations as fixed to minimize earnings volatility due to fluctuation in interest rates.

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates as of December 31, 2021 and 2020, with all variables held constant.

Cash flow interest rate risk

	Change in basis points	Effect on profit before tax	
		2021	2020
		(In Thousands)	
Parent Company -			
Floating rate			
Borrowings	+100	(P153,438)	(P156,638)
	-100	153,438	156,638
Subsidiaries -			
Floating rate			
Borrowings	+100	(P294,362)	(P151,697)
	-100	294,362	151,697

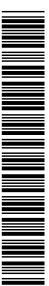
There is no other impact on the Group's equity other than those already affecting the net income.



The terms and maturity profile of the interest-bearing financial assets and liabilities, together with the corresponding nominal amounts and carrying values are as follows (amounts in thousands):

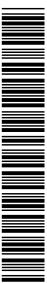
December 31, 2021

Group	Interest terms (per annum)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Parent Company							
Short-term debt							
Fixed							
Peso	Ranging from 0.63% to 0.72 %	Quarterly	P1,529,970	1,529,970	-	-	1,529,970
Long-term debt							
Fixed							
Peso	Fixed at 4.60%	8 years	11,000,000	-	2,628,786	8,324,489	10,963,275
Peso	Fixed at 3.92%	7 years	10,000,000	-	9,974,273	-	9,974,273
Peso	Fixed at 4.82%	8 years	10,000,000	-	9,955,177	-	9,955,177
Peso	Fixed at 6.875%	15 years	10,000,000	-	-	9,965,511	9,965,511
Peso	Fixed at 3.78740%	5 years	6,000,000	-	5,929,296	-	5,929,296
Peso	Fixed at 3.75%	10 years	4,937,500	187,500	1,480,198	3,236,931	4,904,629
Peso	Fixed at 3.0260%	10 years	4,937,500	187,500	1,480,048	3,236,931	4,904,379
Peso	Fixed at 4.25%	3 years	4,000,000	-	3,957,139	-	3,957,139
Peso	Fixed at 6.0043%	7 years	2,880,000	2,878,461	-	-	2,878,461
Peso	Fixed at 6.0043%	5 years	923,077	615,385	303,939	-	919,324
Floating							
Peso	Variable at PHP BVAL rate plus margin of .70% or 26-day BSP TDF rate plus margin of 0.45%	3 months	10,000,000	100,000	9,829,564	-	9,929,564
Peso	Variable at 0.60% to 0.70% over 3-month PDST R2 or 0.45% over 28-day BSP TDF Rate	3 months	5,343,750	320,000	1,570,670	3,421,827	5,312,497
Subsidiaries							
Short-term debt							
Ranging from 2.12% to 6.86%		Monthly	22,556,759	22,556,759	-	-	22,556,759
Ranging from 1.44% to 5.00%		Monthly	10,625,310	10,625,310	-	-	10,625,310
Long-term debt							
Fixed							
Peso and foreign currency	Fixed at 1.86% to 9.00%	3, 4, 5, 7, 10, 15 years	360,255,018	26,791,157	257,545,265	77,561,358	361,897,780
Floating							
Peso	Variable	3 months, Monthly	2,323,230	413,710	1,654,520	255,000	2,323,230
			P477,312,114	P66,205,752	P306,308,875	P106,001,947	P478,516,574



December 31, 2020

Group	Interest terms (per annum)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Cash and cash equivalents	Fixed at the date of investment or revaluation cut-off	Various	P88,653,956	P88,653,956	P-	P-	P88,653,956
Short-term investments	Fixed at the date of sale or transaction	Various	822,410	822,410	-	-	822,410
Accounts and notes receivable	Fixed at the date of transaction	Various	1,133,447	760,819	179,877	192,751	1,133,447
Receivables from related parties	Fixed at the date of transaction	Various	10,672,187	4,713,261	4,962,490	996,436	10,672,187
Financial assets at amortized cost	Fixed at the date of transaction	Various	15,297,105	-	-	15,297,105	15,297,105
Parent Company							
Long-term debt			P116,579,105	P94,950,446	P5,142,367	P16,486,292	P116,579,105
Fixed							
Peso	Fixed at 4.60%	8 years	P11,000,000	-	-	10,942,731	10,942,731
Peso	Fixed at 3.92%	7 years	10,000,000	-	9,958,183	-	9,958,183
Peso	Fixed at 4.82%	8 years	10,000,000	-	9,942,168	-	9,942,168
Peso	Fixed at 6.875%	15 years	10,000,000	-	-	9,959,081	9,959,081
Peso	Fixed at 6.80%	10 years	9,903,400	9,898,507	-	-	9,898,507
Peso	Fixed at 4.1936%	2 years	7,500,000	75,000	7,387,214	-	7,462,214
Peso	Fixed at 3.75%	10 years	5,000,000	62,500	1,225,958	3,674,430	4,982,888
Peso	Fixed at 3.75%	10 years	5,000,000	62,500	1,225,773	3,674,331	4,982,604
Peso	Fixed at 4.25%	7 years	2,910,000	30,000	2,876,093	-	2,906,093
Peso	Fixed at 4.3554%	2 years	2,500,000	25,000	2,463,491	-	2,468,491
Peso	Fixed at 6.0043%	5 years	1,538,462	615,384	916,278	-	1,531,662
Floating							
Peso	Variable at 0.60% to 0.70% over 3-month PDST R2 or 0.45% over 28-day BSP TDF Rate	3 months	5,663,750	320,000	1,570,670	3,737,197	5,627,867
Subsidiaries							
Short-term debt							
	Ranging from 2.40% to 6.50%	Monthly	19,301,057	19,301,057	-	-	19,301,057
	Ranging from 1.16% to 4.73%	Monthly	10,647,625	10,647,625	-	-	10,647,625
Long-term debt							
Fixed							
Peso and foreign currency	Fixed at 1.86% to 5.00%	3, 4, 5, 7, 10, 15 years	325,866,896	25,249,538	223,057,143	77,561,358	325,868,039
Floating							
Peso	Variable	3 months, Monthly	5,296,189	2,866,777	1,788,963	859,307	5,295,047
			P442,127,379	P68,953,888	P262,391,954	P110,408,435	P441,754,257



Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the PHP against other currencies. The Group's consolidated statements of income can be affected significantly by movements in the USD and other currencies versus the PHP. In 2021 and 2020, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

IMI Group

The IMI Group's foreign exchange risk results primarily from movements of the functional currency of each legal entity against other currencies. As a result of significant transactions denominated in RMB, PHP and EUR the consolidated statements of income can be affected significantly by movements in the USD versus these currencies. In 2021 and 2020, IMI entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

IMI Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than IMI's functional currency. Approximately 60% and 62% of IMI Group's sales for the years ended December 31, 2021 and 2020, respectively, and 59% and 58% of costs for the years ended December 31, 2021 and 2020, respectively, are denominated in currencies other than IMI's functional currency.

IMI Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's significant foreign currency-denominated monetary assets and liabilities and their Php equivalent follows:

	December 31, 2021		December 31, 2020	
	US\$	Php Equivalent*	US\$	Php Equivalent*
	(In Thousands)			
Assets				
Cash and cash equivalents	US\$30,236	₱1,542,010	US\$26,311	₱1,288,052
Accounts and notes receivables	250,339	12,767,030	120,138	5,656,951
Other current assets	1,168	59,576	4,936	240,064
Investment in bonds & other securities	—	—	—	—
Other noncurrent assets	380	19,380	200,380	9,624,936
Total assets	282,123	14,387,996	351,765	16,810,003
Liabilities				
Accounts payable and accrued expenses	32,974	1,681,652	319,666	15,360,487
Other current liabilities	463	23,591	283	14,733
Short-term debt	219,000	11,168,781	115,114	5,529,616
Long-term debt	285,078	14,538,706	285,000	13,688,635
Other noncurrent liabilities	3,294	167,920	11,193	546,627
Total liabilities	540,809	27,580,650	731,256	35,140,098
Net foreign currency denominated assets (liabilities)	(US\$258,686)	(₱13,192,654)	(US\$379,491)	(₱18,330,095)

*Translated using the exchange rate at the reporting date (US\$1:₱51.00 on December 31, 2021 and US\$1: ₱48.02 on December 31, 2020).



	December 31, 2021		December 31, 2020	
	JPY	Php Equivalent*	JPY	Php Equivalent*
	(In Thousands)			
Assets				
Cash and cash equivalents	JPY819,919	₱363,136	JPY800,384	₱370,726
Accounts and notes receivable	292,847	129,700	393,761	182,219
Other noncurrent assets	2,375	1,052	2,332	1,080
Total assets	1,115,141	493,888	1,196,477	554,025
Liabilities				
Accounts payable and accrued expenses	826,799	366,182	790,563	366,177
Other current liabilities	—	—	—	—
Short-term debt	115,899	51,331	134,107	62,116
Long-term debt	91,198	40,391	208,082	96,381
Other noncurrent liabilities	—	—	—	—
Total liabilities	1,033,896	457,904	1,132,752	524,674
Net foreign currency denominated liabilities	JPY81,245	₱35,984	JPY63,725	₱29,351

*Translated using the exchange rate at the reporting date (JPY1:₱0.4432 on December 31, 2021 and JPY1:₱0.4627 on December 31, 2020).

	December 31, 2021		December 31, 2020	
	RMB	Php Equivalent*	RMB	Php Equivalent*
	(In Thousands)			
Assets				
Cash and cash equivalents	RMB190,485	₱1,523,683	RMB250,636	₱1,844,668
Accounts and notes receivables	487,840	3,902,214	478,809	3,524,014
Other current assets	1,331	10,643	393	2,894
Total assets	679,656	5,436,540	729,838	5,371,576
Liabilities				
Accounts payable and accrued expenses	469,491	3,755,444	477,537	3,514,653
Short-term debt	21,206	169,626	18,601	136,905
Total liabilities	490,697	3,925,070	496,138	3,651,558
Net foreign currency denominated assets	RMB188,959	₱1,511,470	RMB233,700	₱1,720,018

*Translated using the exchange rate at the reporting date (RMB1: ₱8.0023 on December 31, 2021 and RMB1: ₱7.3449 on December 31, 2020).

	December 31, 2021		December 31, 2020	
	EUR	Php Equivalent*	EUR	Php Equivalent
	(In Thousands)			
Assets				
Cash and cash equivalents	EUR24,533	₱1,417,278	EUR105,351	₱6,192,237
Accounts and notes receivable	64,780	3,742,315	68,351	4,013,284
Other current assets	1,815	104,824	2,772	162,929
Other noncurrent assets	2,445	141,230	154	9,030
Total assets	93,573	5,405,647	176,628	10,377,480
Liabilities				
Accounts payable and accrued expenses	54,115	3,126,212	37,726	2,216,215
Other current liabilities	71	4,124	71	4,195
Short term debt	5,868	338,982	3,067	180,244
Long-term debt	417	24,070	333	19,593
Other noncurrent liabilities	7,351	424,641	5,186	304,026
Total liabilities	67,822	3,918,029	46,383	2,724,273
Net foreign currency denominated assets	EUR25,751	₱1,487,618	EUR130,245	₱7,653,207

*Translated using the exchange rate at the reporting date (EUR1: ₱57.7666 on December 31, 2021 and EUR1: ₱58.6745 on December 31, 2020)



	December 31, 2021		December 31, 2020	
	VND	Php Equivalent*	VND	Php Equivalent
	(In Thousands)			
Assets				
Cash and cash equivalents	VND193,721	P436	VND4,788,602	P9,922
Other current assets	-	-	-	-
Investment in bonds & other securities	-	-	85,600,000	177,102
Other noncurrent assets	-	-	-	-
Total assets	193,721	436	90,388,602	187,024
Liabilities				
Accounts payable and accrued expenses	865,165	1,947	865,165	1,793
Other current liabilities	6,290,944	13,824	6,290,944	13,017
Total liabilities	7,156,109	15,771	7,156,109	14,810
Net foreign currency denominated assets	(VND6,962,388)	(P15,335)	VND83,232,493	P172,214

Translated using the exchange rate at the reporting date (VND1:₱0.0022 on December 31, 2021 and VND1: ₱0.0021 on December 31, 2020.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (amounts in thousands).

Currency	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax	
		2021	2020
US\$	₱1.00	(P258,686)	(P379,491)
	(1.00)	258,686	379,491
JPY	1.00	81,245	63,725
	(1.00)	(81,245)	(63,725)
RMB	1.00	188,959	233,700
	(1.00)	(188,959)	(233,700)
EUR	1.00	25,751	130,245
	(1.00)	(25,751)	(130,245)
VND	1.00	(6,962,388)	83,232,493
	(1.00)	6,962,388	(83,232,493)

There is no other impact on the Group's equity other than those already affecting net income.

Equity price risk

Financial assets at FVTPL and FVOCI are acquired at certain prices in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments. The Group's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each sector and market.



The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity arising from fair valuation of quoted financial assets at FVTPL and FVOCI (amounts in thousands):

	Market Index	Change in Variables	Effect on Equity Increase (decrease) (In Thousands)
2021	PSEi	5% (5%)	₱26,908 (26,908)
2020	PSEi	5% (5%)	₱27,593 (27,593)

Liquidity risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues, both on-shore and off-shore.

ALI Group

ALI Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. ALI Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

IMI Group

IMI Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. IMI Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. IMI Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, IMI Group regularly evaluates its projected and actual cash flows. To cover financing requirements, IMI Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.



The table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2021 and 2020, based on contractual undiscounted payments.

	December 31, 2021				
	< 1 year	1 to < 2 years	2 to < 3 years	> 3 years	Total
	(In Thousands)				
Accounts payable and accrued expenses					
Accounts payable	₱92,071,494	₱—	₱—	₱—	₱92,071,494
Project costs	16,095,588	—	—	—	16,095,588
Accrued expenses	7,773,448	—	—	—	7,773,448
Personnel costs	7,764,039	—	—	—	7,764,039
Dividends payable	2,728,156	—	—	—	2,728,156
Retentions payable	5,875,865	4,233,457	—	—	10,109,322
Related parties	1,364,376	—	—	—	1,364,376
Contractors payable	—	—	—	3,167,215	3,167,215
Nontrade Payable	874,936	—	—	—	874,936
Subscription payable	—	293,247	—	—	293,247
Liability for purchased land	9,576,947	—	—	12,835,369	22,412,316
Financial liabilities on put option	119,665	—	—	—	119,665
Service concession obligation	40,069	—	—	60,961	101,030
Deposits and deferred credits	28,625,760	—	—	39,966,087	68,591,847
Short-term debt	34,712,039	—	—	—	34,712,039
Long-term debt	31,493,713	147,834,708	82,069,386	182,406,728	443,804,535
Lease Liabilities	2,110,226	1,436,493	3,810,970	20,256,068	27,613,757
Other liabilities	243,988	—	—	2,921,599	3,165,587
Interest payable*	10,885,001	8,269,190	12,403,784	20,215,294	51,773,269
	₱252,355,310	₱162,067,095	₱98,284,140	₱281,829,321	₱794,535,866

*includes future interest payments

	December 31, 2020				
	< 1 year	1 to < 2 years	2 to < 3 years	> 3 years	Total
	(In Thousands)				
Accounts payable and accrued expenses					
Accounts payable	₱95,403,178	₱—	₱—	₱—	₱95,403,178
Project costs	18,220,433	—	—	—	18,220,433
Accrued expenses	13,360,227	—	—	—	13,360,227
Personnel costs	8,680,897	—	—	—	8,680,897
Dividends payable	2,251,883	—	—	—	2,251,883
Retentions payable	4,801,114	6,056,667	—	—	10,857,781
Related parties	1,275,962	—	—	—	1,275,962
Contractors payable	—	—	—	5,711,140	5,711,140
Nontrade Payable	704,620	—	—	—	704,620
Subscription payable	—	498,567	—	—	498,567
Liability for purchased land	9,316,978	—	—	2,111,165	11,428,143
Financial liabilities on put option	466,712	—	—	—	466,712
Service concession obligation	19,880	—	—	66,338	86,218
Deposits and deferred credits	25,124,784	—	—	34,074,201	59,198,985
Short-term debt	32,439,507	—	—	—	32,439,507
Long-term debt	18,732,401	146,659,708	75,691,453	168,231,188	409,314,750
Lease Liabilities	1,445,492	1,277,019	3,387,891	18,007,318	24,117,720
Other liabilities	158,032	—	—	2,799,101	2,957,133
Interest payable*	9,799,487	9,141,674	13,712,510	22,348,215	55,001,886
	₱242,201,587	₱163,633,635	₱92,791,854	₱253,348,666	₱751,975,742

*includes future interest payments

Cash and cash equivalents, short-term investments and financial assets at FVTPL are used for the Group's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section.



Credit risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's holding of cash and cash equivalents and short-term investments and receivables from customers and other third parties exposes the Group to credit risk of the counterparty. Credit risk management involves dealing with institutions for which credit limits have been established. The Treasury and Financial Policies of the individual subsidiaries set credit limits for their counterparty. The Group trades only with recognized, creditworthy third parties and has a well-defined credit policy and established credit procedures.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

Given the Group's diverse base of counterparties, the Group is not exposed to large concentrations of credit risk.

The maximum exposure to credit risk for the components of the consolidated statement of financial position is equal to the carrying values.

Part of the policies is the performance of impairment analysis for the credit accounts (see Note 3).

ALI Group

ALI Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, ALI Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. ALI Group also undertakes supplemental credit review procedures for certain installment payment structures. ALI Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with ALI Group security deposits and advance rentals which helps reduce ALI Group's credit risk exposure in case of defaults by the tenants. For existing tenants, ALI Group 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 paying capacity.



Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVTPL and financial assets at FVOCI. ALI Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, ALI Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

ALI Group's maximum exposure to credit risk as of December 31, 2021 and 2020 is equal to the carrying values of its financial assets.

Given ALI Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate is based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2021 and 2020, the exposure at default amounts to ₱25,010.7 million and ₱12,400.1 million, respectively. The expected credit loss rate is 7.2% and 5.3% that resulted in the ECL of ₱2,294.2 million and ₱1,945.5 million as of December 31, 2021 and December 31, 2020, respectively.

IMI Group

The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that IMI Group's exposure to bad debts is not significant.



The aging analysis of accounts and notes receivables that are past due follows:

December 31, 2021

	Trade Receivable						
	Days Past Due						Total
	Current	<30 days	31-60 days	61-90 days	91-120 days	>120 days	
	(In Thousands)						
Expected credit loss rate	0.00%	0.19%	0.00%	0.04%	12.35%	21.77%	
Trade:							
Real estate and Hotels	P88,604,947	P10,446,000	P1,906,468	P3,015,565	P2,404,594	P14,173,469	P31,946,096
Industrial Technologies	12,417,278	1,132,280	401,389	136,933	105,568	276,541	14,469,989
Automotive	1,340,279	928,392	374,755	267,429	316,099	655,162	3,882,116
Power	4,470,691	638,079	100,879	10,209	1,704,223	-	2,453,390
Outsourcing	273,114	43,727	30,138	14,707	18,618	-	107,190
International and others	1,331,693	187,292	56,832	38,090	21,309	165,864	469,387
Total	108,438,002	13,375,770	2,870,461	3,482,933	4,570,411	15,271,036	39,570,611
Expected credit loss	-	25,660	-	1,252	564,418	3,323,885	3,915,215
No individually impaired and expected credit loss have been recognize for accounts and notes receivables.							

December 31, 2020

	Days Past Due						
	Days Past Due						Total
	Current	<30 days	31-60 days	61-90 days	91-120 days	>120 days	
	(In Thousands)						
Expected credit loss rate	0.00%	0.21%	0.00%	0.04%	54.54%	49.54%	
Trade:							
Real estate and Hotels	P106,629,918	P9,062,913	P1,147,234	P2,202,345	P967,309	P3,795,799	P17,175,600
Industrial Technologies	11,105,929	1,269,865	513,631	151,439	48,488	261,917	2,245,340
Automotive	1,189,025	466,650	240,282	290,804	314,818	774,428	2,086,982
Power	6,318,019	-	-	-	-	-	-
Outsourcing	214,616	61,093	24,823	7,599	4,435	19,674	117,624
International and others	485,918	92,705	37,016	17,148	8,588	34,791	190,248
Total	125,943,425	10,953,226	1,962,986	2,669,335	1,343,638	4,886,609	21,815,794
Expected credit loss	-	22,538	-	1,100	732,801	2,421,020	3,177,458
No individually impaired and expected credit loss have been recognize for accounts and notes receivables.							



The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short - term investments, FVTPL financial assets, quoted financial assets at FVOCI and financial assets at amortized cost, advances to other companies and related party receivables

High grade pertains to cash and cash equivalents and short-term investments, quoted financial assets, financial assets at amortized cost, related party transactions and receivables with high probability of collection.

Medium grade pertains to unquoted financial assets other than cash and cash equivalents, FVTPL financial assets and short - term investments with nonrelated counterparties and receivables from counterparties with average capacity to meet their obligation.

Low grade pertains to financial assets with the probability to be impaired based on the nature of the counterparty.

Trade receivables

Real estate, power, outsourcing and international and others - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment in the past; and low grade pertains to receivables with more than 3 defaults in payment.

Industrial Technologies - high grade pertains to receivable with favorable credit terms and can be offered with a credit term of 15 to 45 days; medium grade pertains to receivable with normal credit terms and can be offered with a credit term of 15 to 30 days; and low grade pertains to receivables under advance payment or confirmed irrevocable Stand-by Letter of Credit and subjected to semi-annual or quarterly review for possible upgrade or transaction should be under advance payment or confirmed and irrevocable Stand-By Letters of credit; subject to quarterly review for possible upgrade after one year.

Automotive - high grade pertains to receivables from corporate accounts and medium grade for receivables from noncorporate accounts.

Unquoted financial assets at FVOCI - the unquoted investments are unrated.

33. Fair Value Measurement and Derivative Instruments

Fair Value of Financial and Nonfinancial Instruments

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of December 31, 2021 and 2020 (amounts in thousands):

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS AT FVTPL				
Held for trading – current	₱7,529,812	₱7,529,812	₱8,447,145	₱8,447,145
Convertible loans – noncurrent	3,878,596	3,878,596	3,961,898	3,961,898
Derivative assets				
Freestanding	442,242	442,242	250,230	250,230
Total financial assets at FVTPL	11,850,650	11,850,650	12,659,273	12,659,273

(Forward)

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
AT AMORTIZED COST				
Accounts and notes receivables				
Noncurrent trade receivables				
Real estate	₱42,926,431	₱43,149,538	₱42,547,808	₱45,313,900
Nontrade receivables				
Receivable from officers and employees	1,265,883	1,232,785	1,434,231	1,372,578
Receivable from related parties	10,154,800	9,986,102	-	-
Other receivables	14,628,308	13,604,669	-	-
Financial assets at amortized cost	26,085,959	27,245,579	15,297,105	16,456,725
Total at amortized cost	95,061,381	95,218,673	59,279,144	63,143,203
FINANCIAL ASSETS AT FVOCI				
Investment in bonds	2,309,440	2,309,440	2,309,440	2,309,440
Quoted equity investments	1,682,355	1,682,355	2,124,826	2,124,826
Unquoted equity investments	1,996,917	1,996,917	1,224,942	1,224,942
Total Financial assets at FVOCI	5,988,712	5,988,712	5,659,208	5,659,208
OTHER FINANCIAL ASSETS				
Deposits	2,818,354	2,818,354	3,425,411	3,425,411
Total Other Financial Assets	2,818,354	2,818,354	3,425,411	3,425,411
Total financial assets	₱115,719,097	₱115,876,389	₱81,023,036	₱84,887,095
FINANCIAL LIABILITIES AT FVTPL				
Financial liabilities on put option	₱119,665	₱119,665	₱466,712	₱466,712
Derivative liabilities	241,744	241,744	4,248	4,248
	₱361,409	₱361,409	₱470,960	₱470,960
OTHER FINANCIAL LIABILITIES				
Long-term debt	443,804,535	422,681,312	409,314,750	409,105,254
Service concession obligation	101,030	101,030	86,218	86,218
Deposits and other noncurrent liabilities	68,591,847	60,265,449	59,198,985	46,983,229
Total other financial liabilities	512,497,412	483,047,791	468,599,953	456,174,701
Total financial liabilities	₱512,858,821	₱483,409,200	₱469,070,913	₱456,645,661

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVTPL – Fair values of investment securities are based on quoted prices as of the reporting date. For other investment securities such as FVTPL with no reliable measure of fair value, these are carried at its last transaction price. For convertible loan, the fair values of the investments are determined using the applicable discount rate for similar type of instruments.

The fair value of the investment in UITF is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

The fair value of other unquoted financial assets at FVTPL is determined using Weighted Average Cost of Capital using market comparable. The rate used is 5% in 2021 and 2020.

Derivative instrument – The fair value of the freestanding currency forwards is based on counterparty valuation.



Noncurrent trade and nontrade receivables – The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 5.50% to 18.00% and 5.75% to 16.00% as of December 31, 2021 and 2020.

Financial assets at amortized cost includes investments in redeemable preferred shares and convertible loans. For investment in redeemable preferred shares and convertible loan, the fair values of the investments are determined using the applicable discount rate for similar type of instruments.

Financial assets at FVOCI investment in bonds - fair value of the bonds is based on binomial lattice approach.

Financial assets at FVOCI quoted equity securities – fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities – fair values are based on the latest selling price available.

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties.

Derivative liability the fair value of the derivative liability is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for risks existing at the end of each reporting period.

Financial liabilities on put options – These pertain to the liabilities of IMI Group arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is nil and (0.72%) for VIA and nil and (1.27%) for STI for 2021 and 2020, respectively. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

The current equity value of VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization. Another significant assumption is the probability of trigger event occurring within the put option period.

Other financial liabilities - noncurrent - The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 1.00% to 6.00% and 1.59% to 7.50% as of December 31, 2021 and 2020 respectively. This also include the contingent consideration related to the acquisition of STI determined based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. The contingent liability was fully reversed in 2019.



For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

The following table shows the fair value hierarchy of the Group's assets and liabilities as of December 31, 2021 and 2020 (amounts in thousands):

2021

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVTPL - current	P-	P365,057	P7,164,755	P7,529,812
Convertible loans - noncurrent	-	-	3,878,596	3,878,596
Derivative assets				
Freestanding	-	-	442,242	442,242
Total Financial assets at FVTPL	-	365,057	11,485,593	11,850,650
Financial assets at FVOCI				
Investment in bonds	-	-	2,309,440	2,309,440
Quoted equity investments	651,427	1,030,928	-	1,682,355
Unquoted equity investments	-	-	1,996,917	1,996,917
	P651,427	P1,395,985	P15,791,950	P17,839,362
Recurring financial assets for which fair values are disclosed:				
Noncurrent trade and nontrade receivables	P-	P-	P44,382,323	P44,382,323
Financial assets at amortized cost	-	-	27,245,579	27,245,579
Deposits	-	-	2,818,354	2,818,354
	P-	P-	P74,446,256	P74,446,256
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	P-	P-	P119,665	P119,665
Derivative liabilities	-	-	241,744	241,744
	P-	P-	P361,409	P361,409
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	P-	P-	P422,681,312	P422,681,312
Service concession obligation	-	-	101,030	101,030
Deposits and other noncurrent liabilities	-	-	60,265,449	60,265,449
	P-	P-	P483,047,791	P483,047,791
Nonfinancial assets for which fair values are disclosed:				
Investment properties	P-	P 1,903,712	P492,888,354	P494,792,065
Investments in associates and joint ventures*	362,357,750	-	-	362,357,750
	P362,357,750	P 1,903,712	P492,888,354	P857,149,815

* Fair value of material investments in listed associates and joint ventures for which there are published price quotations, including the BPI shares held by Liontide Holdings, Inc.

2020

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVTPL - current	P-	P-	P8,447,145	P8,447,145
Convertible loans - noncurrent	-	-	3,961,898	3,961,898
Derivative assets				
Freestanding	-	-	250,230	250,230
Total Financial assets at FVTPL	-	-	12,659,273	12,659,273
Financial assets at FVOCI				
Investment in bonds	-	-	2,309,440	2,309,440
Quoted equity investments	1,427,032	697,794	-	2,124,826
Unquoted equity investments	-	-	1,224,942	1,224,942
	P1,427,032	P697,794	P16,193,655	P18,318,481

(Forward)



	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets for which fair values are disclosed:				
Noncurrent trade and nontrade receivables	P-	P-	P46,651,918	P46,651,918
Financial assets at amortized cost	-	-	16,456,725	16,456,725
Deposits	-	-	3,425,411	3,425,411
	P-	P-	P66,534,054	P66,534,054
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	P-	P-	P466,712	P466,712
Derivative liabilities	-	-	4,248	4,248
	P-	P-	P470,960	P470,960
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	P-	P-	P409,105,254	P409,105,254
Service concession obligation	-	-	86,218	86,218
Deposits and other noncurrent liabilities	-	-	46,983,229	46,983,229
	P-	P-	P456,174,701	P456,174,701
Nonfinancial assets for which fair values are disclosed:				
Investment properties	P-	P-	P458,146,195	P458,146,195
Investments in associates and joint ventures*	264,784,769	-	-	264,784,769
	P264,784,769	P-	P458,146,195	P722,930,964

*Fair value of investments in listed associates and joint ventures for which there are published price quotations

There was no change in the valuation techniques used by the Group in determining the fair market value of the assets and liabilities.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial assets and liabilities categorized as Level 3:

December 31, 2021

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial assets at FVTPL	Market comparable	Weighted average cost of capital (WACC)	5% to 10%	5% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$5,200,723/ (US\$5,200,723)
				10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$10,401,445/ (US\$10,401,445)
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Probability of trigger events occurring	1%-10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$0.01 million. Decrease in the probability to 1% would result in a decrease in fair value by \$0.01 million.



December 31, 2020

Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial assets at FVTPL	Market comparable	Weighted average cost of capital (WACC)	5% to 10%
			5% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$5,200,723/ (US\$5,200,723)
			10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$10,401,445/ (US\$10,401,445)
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Probability of trigger events occurring	1% - 10% (%)
			Increase in the probability to 10% would result in an increase in fair value by US\$0.01 million. Decrease in the probability to 1% would result in a decrease in fair value by US\$0.01 million.

ACEIC Group categorizes equity instruments at FVOCI, loans payable and notes payable under Level 3 valuation techniques:

Equity instruments at FVOCI

Estimated fair value is based on the discounted value of future cash flows using the applicable discount rates relevant to the industry of investee companies. Interest rates used in discounting cash flows ranged from 4% to 13.50% in 2021 and 2020. This is a Level 3 valuation technique.

Loans and Notes payable

Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans and liabilities. Interest rates used in discounting cash flows ranged from 2.98% to 5.03% in 2021 and 2020 for dollar-denominated loans and 2.61% to 4.87% in 2021 and 2020 for peso-denominated loans. This is a Level 3 valuation technique.

ALI Group categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value. Investment in Arch Capital Fund amounting to ₱293.8 million and ₱328.0 million as of December 31, 2021, and 2020, respectively, were classified under Level 3. Investment in Unit Investment Trust Fund (UITF) amounting to ₱407.0 million and ₱378.1 million as of December 31, 2021, and 2020, respectively, were classified under Level 2. Investment in Treasury bills amounting to ₱259.2 million as of December 31, 2020 (nil in 2021), were classified under Level 2. Quoted FVOCI financial assets amounting to ₱397.7 million and ₱844.5 million as of December 31, 2021, and 2020, respectively, were classified under Level 1. Unquoted FVOCI financial assets amounting to ₱583.5 million and ₱667.0 million as of December 31, 2021 and 2020, respectively, were classified under Level 3.

A reconciliation of the beginning and closing balances of Level 3 financial assets and liabilities at FVTPL are summarized below:

Financial Assets at FVTPL	2021	2020
At January 1	₱12,409,043	₱9,726,080
Additions (Disposals)	(2,131,250)	3,263,628
Recognized in consolidated statement of income	541,961	24,028
Exchange difference and others	223,597	(604,693)
At December 31	₱11,043,351	₱12,409,043



Financial Liabilities at FVTPL	2021	2020
At January 1	₱466,712	₱1,584,703
Adjustment to additional paid-in capital	-	(736,142)
Recognized in consolidated statement of income	(272,788)	(353,184)
Exchange difference and others	(74,259)	(28,665)
At December 31	₱119,665	₱466,712

Derivatives

	2021	2020
Derivative Assets		
Call option of AC Industrial and AC Health	₱71,963	₱164,656
Forward contract of AC Energy, IMI, AC and AIVPL	370,279	85,574
	₱442,242	₱250,230
Derivative Liabilities		
Put option and forward contract of IMI and ACEIC	₱241,744	₱4,248

Financial liabilities on put options

The acquisition of VIA in 2016 and STI in 2017 included call and put options over the non-controlling interests. The put options resulted in a financial liability of nil and US\$1.6 million as of December 31, 2021 and 2020, respectively.

Minority shareholder of C-CON Group have the right to require MT Technologies to purchase and acquire all its shares. The option can be exercised after the holding period, which is defined as the 8th anniversary year after the acquisition date, April 1, 2019. Based on the management's judgment, the put options will be exercised by the minority shareholders on April 1, 2027 or the 8th anniversary year after the acquisition date.

The acquisition of MT in 2017 and C-CON Group in 2019 included put options over the non-controlling interests. The put options resulted in a financial liability of US\$2.35 million and US\$8.1 million as of December 31, 2021 and 2020, respectively.

Free standing derivatives

As of December 31, 2021, and 2020, the outstanding forward contracts have a net fair value of \$45,794 (asset) and \$88,361 (liability), respectively. The changes in fair value of currency forwards recognized in 2021 and 2020 amounted to \$0.14 million gain and \$0.09 million loss, respectively. The changes in fair value of currency forwards are recognized in the consolidated statements of income under "Foreign exchange gains (losses)" account.

AC Industrials call option – Majority shareholder of MT Technologies have the right to require C-CON Holding (Exit Call Option) to sell all of its shares if NCI is no longer member of the C-CON management. Strike price is based on 6.0x of weighted average EBITDA less Net Debt (Cash) multiplied by the shareholding rate (25.1%). Based on the management's judgment, the earliest time that MT can exercise its option is after 10 years or upon retirement of NCI. The call option resulted in a derivative asset of US\$0.4 million and US\$2.5 million as of December 31, 2021 and 2020, respectively.

Embedded derivatives

BHL

Convertible bonds

In June 2014, BHL invested VND113 billion (equivalent to USD5.3 million) in CII convertible bonds through its wholly owned subsidiary, VIP. These bonds have a maturity of 5 years, and a coupon rate of 5% per annum.



On June 23, 2016, the third bond conversion exercise, BHL Group converted 69,235 bonds into 6,293,461 shares at a closing price of VND 26,500 per share. Based on the initial bond offering submission made by CII, the conversion ratio would be 90.9:1 (1 convertible bond to 90.9 shares), where the number of converted shares will be rounded down to the next last whole number. This conversion increased the investment in CII shares by VND 166.6 billion (equivalent to US\$7.5 million).

BHL Group recognized a total gain of VND 37.9 million (US\$1.7 million) on the conversion exercise, out of which VND 28.3 million (US\$1.3 million) was the gain on the difference between the CII share price on the date of conversion and the carrying amount of convertible bond, and VND 9.6 million (US\$ 0.4 million) was the gain on the realization of the valuation reserve previously recorded on the convertible bonds (see Note 24).

In 2017, the last bond conversion exercise, BHL Group converted 43,755 bonds into 3,977,329 shares at a closing price of VND 37,250 per share. Based on the initial bond offering submission made by CII, the conversion ratio would be 90.9:1 (1 convertible bond to 90.9 shares), where the number of converted shares will be rounded down to the next last whole number. This conversion increased the investment in CII shares by VND 148.2 billion (equivalent to US\$6.7 million). BHL Group recognized a total gain of VND91.4 billion (US\$4.0 million) on the conversion exercise, out of which VND 35.7 billion (US\$1.6 million) was the gain on the difference between the CII share price on the date of conversion and the carrying amount of convertible bond, and VND 55.7 million (US\$ 2.4 million) was the gain on the realization of the valuation reserve previously recorded on the convertible bonds (see Note 24).

ACEIC

On January 31, 2017, the Group executed a five (5) year contract with SLPGC, which owns and operates 2 x 150 MW coal-fired power generating plant in Calaca, Batangas. The contract is effective from February 26, 2017 up to December 25, 2021 and covers contracted capacity of 50MW which enables AC Energy to meet the electricity requirements of its retail customers. Under the contract, the Group has the obligation to pay SLPGC the Exposure Adjustment and the Group or SLPGC, as the case may be having the obligation to pay the Exposure Adjustment in accordance with the fee computation formula agreed to by both parties.

On June 26, 2017, ACEIC entered into a three (3) year contract with DirectPower Services Inc. ("DPSI") (an affiliate) effective from June 26, 2017 up to June 25, 2020. The contract enables DPSI to meet the electricity requirements of its customers. Under the contract, the Parent Company or DPSI, as the case may be having the obligation to pay the Exposure Fee in accordance with the fee computation formula agreed to by both parties.

The contracts with SLPGC and DPSI resulted to a fair value losses in 2019 amounting to ₱222.7 million. The fair value of derivative liability as of December 31, 2019 amounted to ₱238.4 million.

In 2020, ACEIC Group and SLPGC and DPSI mutually agreed to pre-terminate their derivative contracts. Under both contracts, ACEIC Group or SLPG or DPSI, has the obligation to pay the exposure fee in accordance with the fee computation formula agreed to by both parties. With the mutual agreement to pre-terminate the derivative contracts without fee, ACEIC Group reversed the derivative liability resulting in gain in the consolidated statements of comprehensive income of ₱238.4 million



Fair Value Changes on Derivatives

The net movements in fair values of the Group's derivative instruments as of December 31, 2021 and 2020 follow (amounts in thousands):

Derivative Assets

	2021	2020
Balance at beginning of year	₱250,230	₱338,612
Additions (disposals) during the year	192,012	(88,382)
Balance at end of year	₱442,242	₱250,230

Derivative Liabilities

	2021	2020
Balance at beginning of year	₱4,248	₱238,411
Net changes in fair value of derivatives	237,496	(234,163)
Balance at end of year	₱241,744	₱4,248

No other financial assets or liabilities are carried at fair value as of December 31, 2021 and 2020.

Net changes in fair value of derivative assets and liabilities was recognized in the consolidated statement of income under "Other Income". However, the net changes in fair value of IMI Group's freestanding currency forward are recognized in the consolidated income under "Foreign exchange gains (losses)" (see Note 22).

34. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities follow:

	January 1, 2021				Acquisition of subsidiary (Note 23)	Change due to loss of control (Note 24)	Foreign Exchange Movement	December 31, 2021
	Post-PFRS 5	Liabilities Held for Sale	Cash Flows	Non-cash Changes				
Short-term debt and Long-term debt	₱441,754,257	₱98,349,048	₱26,975,583	₱30,934	₱810,786	(₱96,731,352)	₱7,327,318	₱478,516,574
Dividends payable	2,251,883	7,357	(7,489,983)	7,966,256*	-	(7,357)	-	2,728,156
Other noncurrent liabilities	52,775,650	1,899,301	12,777,832	(2,342,144)	61,616	(1,955,624)	1,284,943	64,501,574
Lease liabilities	24,117,720	393,938	(3,246,968)	5,078,413**	1,619,675	(349,021)	-	27,613,757
Service concession obligation	86,218	8,969,281	(297,228)	245,137**	-	(8,902,378)	-	101,030
Total liabilities from financing activities	₱520,985,728	₱109,618,925	₱28,719,236	₱10,978,596	₱2,492,077	(₱107,945,732)	₱8,612,261	₱573,461,091

*pertains to dividends declared during the year

**pertains generally to additions during the year

	January 1, 2020				Foreign Exchange Movement	Liabilities Held for Sale	December 31, 2020
	Pre-PFRS 5	Liabilities Held for Sale	Cash Flows	Non-cash Changes			
Short-term debt and Long-term debt	₱405,338,157	₱95,293,056	₱46,523,028	(₱785,842)	(₱6,265,094)	(₱98,349,048)	₱441,754,257
Dividends payable	4,496,286	-	(8,830,976)	6,593,930*	-	(7,357)	2,251,883
Other noncurrent liabilities	48,447,370	8,938	1,422,200	4,796,443	-	(1,899,301)	52,775,650
Lease liabilities	22,381,166	308,482	(2,925,244)	4,747,254**	-	(393,938)	24,117,720
Service concession obligation	66,019	9,017,457	(1,211,983)	1,184,006**	-	(8,969,281)	86,218
Total liabilities from financing activities	₱480,728,998	₱104,627,933	₱34,977,025	₱16,535,791	(₱6,265,094)	(₱109,618,925)	₱520,985,728

*pertains to dividends declared during the year

**pertains generally to additions during the year



Below is the reconciliation of amounts presented in the consolidated statements of cash flows and as presented in the consolidated statements of income in 2021 and in the consolidated statements of financial position or consolidated statements of income in 2020:

	2021 Consolidated Statements of Income	Assets held for Sale/ Discontinued Operations	As Presented in Statements of Cashflows
Pretax income	₱42,761,919	₱214,086	₱42,976,005
Interest income (real estate and other income)	11,878,859	136,781	12,015,640
Interest and other financing charges	27,089,924	917,645	28,007,569
Depreciation and amortization (Note 22)	15,430,153	1,422,651	16,852,804
Share in profit in associates and joint ventures	23,384,709	299,020	23,683,729
Provision for impairment losses on (Note 22):			
Investment in associates and joint ventures	1,162,526	—	1,162,526
Receivables	777,290	141,550	918,840
Intangibles and other assets	726,054	17,622	743,676
Property, plant and equipment	234,568	—	234,568
Inventories	170,759	—	170,759
Foreign exchange loss	440,258	—	440,258

	As Presented in (2020)		Assets held for Sale/ Discontinued Operations	As Presented in Statements of Cashflows
	Statements of Financial Position	Statements of Income		
Pretax income	₱—	₱24,712,512	₱11,306,203	₱36,018,715
Interest income (real estate and other income)	—	11,786,598	503,192	12,289,790
Interest and other financing charges	—	28,014,198	2,223,962	30,238,160
Depreciation and amortization (Note 22)	—	16,355,294	3,516,629	19,871,923
Share in profit in associates and joint ventures	—	17,615,774	213,839	17,829,613
Provision for impairment losses on (Note 22):				
Investment in associates and joint ventures	—	1,802,179	340,645	2,142,824
Inventories	—	144,326	—	144,326
Receivables	—	867,287	439,870	1,307,157
Intangibles and other assets	—	651,262	98,099	749,361
Investment properties	—	225,208	—	225,208
Property, plant and equipment	—	623,884	—	623,884
Foreign exchange loss	—	52,310	510,113	562,423
Cash and cash equivalents	88,653,956		25,435,332	114,089,288

The Group's noncash investing and financing activities are as follows:

2021

- Recognition of ROU asset amounting to ₱5,426.8 million and lease liabilities amounting to ₱4,979.1 million.
- Loss of control over MWC and GNPK resulting to:
 - Derecognition of assets and liabilities (see Note 24)
 - Recognition of investment in MWC amounting to ₱14,808.4 million and investment in KPHLC amounting to ₱11,780.45 million
 - Recognition of noncurrent accounts receivable amounting to ₱24,207.93 million



- Recognition of share in excess of fair value of net assets over cost of investment in MWC amounting to ₱4,067.1 million
- Transfer from investment properties to inventories amounting to ₱4,062.9 million
- Transfer from inventories to investment properties amounting to ₱4,106.9 million
- Capitalized interest amounted to ₱745.7 million
- Transfer from accounts receivable to investment in associate amounting to ₱2,562.6 million

2020

- Additions to right-of-use assets and lease liabilities during the year amounting to ₱3,816.1 million and ₱2,994.0 million
- Reclassification of assets and liabilities of MWC and GNPk to PFRS 5 (see Note 24)
- Transfer from investment properties to inventories amounting to ₱18,563.9 million
- Transfer from inventories to investment properties amounting to ₱2,361.2 million
- Transfer from investment properties to property and equipment amounting to ₱591.6 million
- Transfer from right-of-use assets and lease liabilities to investment properties amounting to ₱6.9 million and ₱24.2 million, respectively

2019

- Recognition of right-of-use assets and lease liabilities amounting to ₱18,532.7 million and ₱21,564.1 million, respectively, upon adoption of PFRS 16
- Additions to right-of-use assets and lease liabilities during the year amounting to ₱1,632.1 million and ₱1,711.5 million
- Conversion of \$292.8 million bonds from AYCFL US\$300.0 million guaranteed exchangeable bonds to 377,465,612 ALI ordinary shares (see Note 18)
- Reclassification of assets and liabilities of MWC and GNPk to PFRS 5 (see Note 24)
- Merger of AEI and iPeople, Inc. (see Notes 10 and 23)
- Transfer from investment properties to inventories amounting to ₱11,830.0 million
- Transfer from inventories to investment properties amounting to ₱674.9 million
- Transfer from investment properties to property and equipment amounting to ₱644.1 million
- Transfer from property and equipment to investment properties amounting to ₱133.1 million
- Transfer from right-of-use assets to investment properties amounting to 98.7 million
- Unpaid acquisition of investment properties amounting to ₱7,392.2 million
- Inclusion of the ₱4,990.1 million balance of GNPk in the December 31, 2019 cash and cash equivalents balance.

The cash flows from the increase in non-controlling interests in 2021 and 2020 are as follows:

2021

- Additional infusion from non-controlling interest as a result of ACEN's SRO and FOO amounting to ₱15,589.0 million
- Sale of ACEN shares to non-controlling stockholders via private placement amounting to ₱21,206.7 million
- Acquisition of ALI shares resulting to cash outflow amounting to ₱11,106.9 million

2020

- Proceeds from initial public offering of AREIT and VIA Optronics amounting to ₱12,343.5 million and ₱4,185.6 million, respectively.



35. Commitments

Parent Company

The Parent Company acted as guarantor to AYCFL's term loans and borrowings as follows:

Description of loans and borrowings	Date Contracted	2021	2020
		Outstanding balance (Amounts in thousands)	
US\$400.0 million Perpetual Undated Notes	September 23, 2021	US\$400,000	US\$–
US\$400.0 million Perpetual Undated Notes	October 31, 2019	365,000	US\$400,000
US\$400.0 million Perpetual Undated Notes	September 13, 2017	300,000	400,000
US\$200 million Transferrable Loan Facility	February 1, 2018	–	100,000
US\$200 million Revolving Credit Facility	March 18, 2016	–	–
US\$200 million Transferrable Term Loan Facility	March 18, 2016	–	20,000
US\$100 million Transferrable Term Loan Facility	February 23, 2021	–	–
		US\$1,065,000	US\$920,000

US\$200 million Transferrable Loan Facility

In February 2018, AYCFL entered into a US\$400 million Credit Facility with interest rates at certain basis points over LIBOR. The available amount of the facility was reduced to US\$200 million, when the option to retain the full amount of US\$400 million was not exercised in September 2018. The facility will remain available for 5 years from commencement date.

US\$200 million Revolving Credit Facility

In March 2016, AYCFL converted a US\$200.0 million Club Term Loan facility into Revolving Credit facility with interest rates at certain basis points over LIBOR and maturing in March 2020. A subsequent Amendment and Restatement Agreement in March 2018 split the facility into two: Facility A worth US\$100.0 million maturing in March 2020, and Facility B worth US\$100.0 million maturing in March 2022.

US\$200 million Transferrable Term Loan Facility

In March 2016, AYCFL increased the existing Bilateral Term Loan Facility with a bank from US\$100.0 million up to US\$200.0 million with interest rates at certain basis points over LIBOR and maturing in September 2022. The Bilateral Term Loan Facility has an original availability period of 5 years which offers the same flexibility as a Revolving Credit Facility. A subsequent Amendment and Restatement Agreement was made in March 2018 and a second (2nd) Amendment on September 2018, split the facility into Facility A worth US\$ 100.0 million to mature in September 2022, and Facility B worth US\$ 100.0 million with a maturity of September 2023.

In April 2019, AYCFL drew and repaid a total of US\$80.0 million from Facility A. On March 19, 2020, AYCFL drew the remaining US\$20.0 million from Facility A of which US\$10 million remained outstanding as of December 31, 2021.

In 2020, AYCFL drew and repaid a total of US\$100.0 million from Facility B.



US\$100 million Term Loan Facility

In February 2021, AYCFL entered into a US\$100 million Term Loan Facility with interest rates at certain basis points over LIBOR. This facility has no outstanding balance as of December 31, 2021.

Parent Guarantee

The Parent Company unconditionally guarantees the due and punctual payment of these loan drawdowns if, for any reason AYCFL does not make timely payment of the amount due. The Parent Company waived all rights of subrogation, contribution, and claims of prior exhaustion of remedies. The Parent Company's obligation as guarantor will remain in full force until no sum remains to be lent by the lenders, and the lenders recover the outstanding loan drawdowns Refer to Note 18.

ALI Group

ALI-LT Group

ALI and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City. A new company named, ALI-ETON Property Development Corporation (ALI-ETON), was incorporated on March 13, 2016.

The bridge is expected to be completed by Q2 of 2022.

ITS South Project

On August 11, 2015, ALI won the bid for the Integrated Transport System Project - South Terminal (the ITS South Project). ALI was awarded by the Department of Transportation and Communications (DOTC) with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where ALI is developing an integrated mixed-use estate.

SM-ALI Group Consortium

On June 30, 2015, ALI, through SM-ALI Group consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 square meters, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SM Prime Holdings, Inc. (SMPHI), ALI and CHI (collectively referred to as the ALI Group).

On January 29, 2020, SM-ALI Group broke ground 263,384sqm development and the constructions of road networks and underground utilities commence on February 18, 2020.

As of December 2021 and 2020, the construction completion is at 80% and 47.51% and is forecasted to be finished in June 2022.

Assignment Agreement between Metro Rail Transit Corporation (Metro Rail) and MRTDC

On August 8, 1997, an Assignment Agreement was executed between Department of Transportation and Communications (DOTC), Metro Rail whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

ALI-SPI

On May 12, 2014, ALI has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomerry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. ALI will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sqm.

Restructure Agreement

On February 26, 2021, ALI Group entered into agreements to restructure the long-outstanding receivables from MGHI, Panay Medical Ventures, Inc., Mercado General Hospital Sta. Rosa, Inc. and Mercado General Hospital San Jose Del Monte, Inc. amounting to ₱422.1 million, to a 5-year loan with interest rate of 4% per annum. (see Note 31)



Concession Agreements

Concession Agreement between ASITI and DOTr

On January 26, 2016, ALI Group through ASITI entered into a Concession Agreement (CA) with the Department of Transportation (DOTr). The CA sets forth the rights and obligations of ASITI as concessionaire, including the construction and operation of the South Integrated Transport System Project (the Project) of DOTr. During the concession period, DOTr will monitor and review the performance of the concessionaire.

The concession will run for a period of 35 years from the start of the construction of the Project. Under the terms of the concession agreement, ASITI will design, engineer, construct, operate and maintain a mass transportation intermodal terminal at the outskirts of Metro Manila. The operation of the Project includes the collection and remittance of terminal fees to DOTr of the concessionaire during the concession period. In addition, ASITI will be permitted to develop and operate commercial leasing facilities.

Upon the start of the construction the Project, DOTr will give to ASITI the full, exclusive and uninterrupted use and possession of a 5.57 hectare property known as the Project Land. Ownership of the Project Land shall remain with DOTr at all times while the possession, custody and risk of loss or deterioration of the Project and commercial assets shall vest in the concessionaire during the concession period. ASITI shall transfer the Project and the related assets, free from any liens or encumbrances, to DOTr at the end of the concession period. ASITI will be entitled to annual payments from DOTr amounting to ₱277.9 million during the 35-year concession period, subject to meeting benchmarks set for certain key performance indicators enumerated in the CA.

As of December 31, 2021, construction of the Project has not yet commenced.

Parent Company's Concession Agreement

In 2012, the Parent Company entered into a concession agreement with the DPWH to finance, design, construct, operate and maintain the Daang Hari - SLEX Link Road, otherwise known as the Muntinlupa-Cavite Expressway(MCX) [the Project]. Under the concession agreement, the Parent Company will:

- a. Purchase the advance works on Segment I of the Project from Alabang - Sto. Tomas Development, Inc. and finance and construct the remaining works thereof;
- b. Finance, design, and construct Segment II of the Project;
- c. Undertake the operations and maintenance of the Project;
- d. Impose and collect tolls from the users of the Project; and
- e. Grant business concessions and charge and collect fees for non-toll user related facilities and toll user related facilities situated in the Project.

The Parent Company is authorized to adjust the toll rates once every two years in accordance with a prescribed computation as set out in the concession agreement and upon compliance with the rules and regulations on toll rate implementation as issued or may be issued by the Toll Regulatory Board (TRB).

In the event that the Parent Company is disallowed from charging and collecting the authorized amounts of the toll rates as prescribed in the concession agreement from the users of the Project, the Parent Company shall be entitled to either of the following:

- a. Compensation from the DPWH of the toll income forgone by the Parent Company which shall be calculated based on a prescribed computation under the Concession Agreement.
- b. Extension of the Concession Period to compensate the Parent Company for the forgone toll income, the length of the extension shall be mutually agreed by the Parent Company and the DPWH.

The Parent Company shall pay the DPWH an amount equivalent to 5% of all gross revenues arising from the grant of business concessions for non-toll and toll user related facilities situated within the basic and additional right of way of the MCX.



The Concession Period shall commence on the date of the issuance of the Notice to Proceed with Segment II and shall end on the date that is 30 years thereafter, unless otherwise extended or terminated in accordance with the concession agreement. NTP was issued last June 29, 2015. Any extension of the concession period shall in no event be beyond 50 years after the date of the issuance of the Notice to Proceed with Segment II.

At the end of the Concession Period, MCX shall be turned over by the Parent Company to the DPWH in the condition required for turnover under the Concession Agreement.

On July 24, 2015, MCX was opened to the public and started its commercial operations on August 24, 2015.

In accordance with the Concession Agreement, the Parent Company shall have the right to impose and collect toll fees (inclusive of VAT) from the users of the MCX at the following rates:

Vehicle Class	Initial Toll Rate (flat rate)
Class 1: Light vehicles	₱17.00
Class 2: Medium-weight vehicles	34.00
Class 3: Heavy vehicles	51.00

Periodic Toll Adjustment

On September 27, 2016, the Parent Company has filed for the initial Petition for Approval of Periodic Toll Adjustment with Application for Provisional Relief (Petition). Under Section 13.2 of the Concession Agreement, Concessionaire is authorized to adjust the Toll Rate every two years. Since MCX commercially operated on July 24, 2015, the Parent Company is entitled to adjust its toll for MCX effective July 24, 2017. However, under Section 3 of the 2013 Revised Rules of Procedure of the TRB, the petition has to be filed on or before September 30. Thus, the Petition was filed knowing fully well that the effectivity of the adjusted toll rate will still be on July 24, 2017.

On June 19, 2017, TRB sent an order directing the publication of the full petition in a newspaper of general circulation, along with the notice to expressway users that they may file an opposition within the period provided for under the Rules. Accordingly, the full petition was published on July 25, 2017. On November 8, 2017, all TRB requirements for the approval of the toll rate increase were submitted.

On September 28, 2018, the second Petition for toll rate increase petition was filed with the TRB and the order directing the publication of the full petition in a newspaper of general circulation, along with the notice to expressway users that they may file an opposition within the period provided for under the Rules, was sent by TRB on October 26, 2018. Accordingly, the petition was published on November 13, 2018. No opposition has been reported until the prescribed filing period.

On March 26, 2019, the approved resolution of the TRB on the Parent Company's 2016 Initial Petition filed in 2016 was received. The approved new toll rates are as follows.

Vat Inclusive Rates (Php)			
Vehicle Class	Current	Adjusted	Increment
Class 1	17.00	17.00	0.00
Class 2	34.00	35.00	1.00
Class 3	51.00	52.00	1.00

The approved new toll rates were published by the Parent Company as directed in the TRB resolution prior to the issuance of the Notice to Start Collection, on April 5, 12, and 21, 2019. The new toll rates were implemented on July 1, 2019.



On September 29, 2020, the third toll rate increase petition was submitted to the TRB and the order directing the publication of the full petition in a newspaper of general circulation, along with the notice to expressway users that they may file an opposition within the period provided for under the Rules, was sent by TRB on November 26, 2020. Accordingly, the petition was published on December 30, 2020, January 6 and 13, 2021. No opposition has been reported until the prescribed filing period.

For the variation order, refer to Note 13.

Interoperability Agreement

On July 21, 2015, the Parent Company, MCXI Tollway, Inc. (MCXI) (an 80% owned subsidiary of AC Infra), South Luzon Tollway Corporation (SLTC), and Manila Toll Expressway Systems, Inc. (MATES) signed a Memorandum of Agreement on the Interoperability together with an Addendum thereto ("MOA on Interoperability") of the Project and the SLEX. The MOA on Interoperability provides the framework that will govern the interface and integration of the technical operations and toll collection systems between the Project and SLEX, and to ensure seamless travel for road users.

On the same date, MATES and MCXI signed the Toll Collection Services Agreement which appoints MATES to perform toll collections services in MCXI.

On September 15, 2017, the Parent Company and MCXI together with San Miguel Holdings Corporation, Private Infra Development Corporation, Citra Metro Manila Tollways Corporation, Skyway O&M Corporation, Citra Central Expressway Corporation, Vertex Tollways Development Incorporated, SLTC, MATES, Star Infrastructure Development Corporation, Star Tollway Corporation, Metro Pacific Tollways Corporation, NLEX Corporation, Cavite Infrastructure Corporation, MPCala Holdings Inc., Bases and Conversion Development Authority, Department of Transportation, Department of Public Works and Highways, Land Transportation Office and Toll Regulatory Board signed the Memorandum of Agreement for Toll Collection Interoperability (MOA). The MOA aims for a timely, smoothly, and fairly implementation of the ETC Systems and Cash Payment Systems' interoperability of the covered expressways. As of December 31, 2021, discussions among the parties are ongoing for the implementation of the Interoperability Project.

Operations and Maintenance Contracts

The Parent Company shall have the exclusive right and corresponding obligation to undertake the O&M of the Project. As such, on December 19, 2014, the Parent Company entered into an Operations and Maintenance Agreement (OMA) with MCXI for the operations and maintenance of the Project. The OMA has a term of seven (7) years, renewable for another seven (7) years, with the right of first offer in favor of MCXI. As compensation, the Parent Company shall pay an annual recurring fee of ₱77.6 million, exclusive of VAT, subject to yearly escalation using the Consumer Price Indexation formula.

On the same date, MCXI signed two contracts with EGIS Projects Philippines, Inc. (Egis):

- a. Operations Advisory Contract – to provide advice, among others, on the establishment and implementation of procedures to enforce traffic regulations and safety measures in MCXI; and
- b. Maintenance Contract – to provide cleaning, inspection, repairs and maintenance on all parts of MCXI, its landscaping, traffic signs and others.

Both contracts have a term of seven (7) years and renewable for another seven (7) years. The annual recurring fee for both contracts is ₱18.2 million, exclusive of VAT, and ₱40.9 million, exclusive for VAT, respectively and subject to yearly escalation to the effect of changes in labor index rates and consumer price index as provided by the Department of Labor and Employment.

In 2016, the Parent Company amended its existing O&M agreement with MCXI reducing the annual fee which will be computed as the total cost of providing the services (the base amount) plus 5% of the base amount, exclusive of VAT, and novated the existing agreement among MCXI and Egis for the Parent Company to replace MCXI as the principal contracting party to the Operation Advisory Contract and Maintenance contract.



Expressway Sponsorship Agreement

On November 25, 2019, the Parent Company entered into Expressway Sponsorship Agreement with FWD Life Insurance Corporation (FWD) for eight (8) years from effectivity, renewable for another 8 years. The agreement became effective in December 2019. Under the agreement, the Parent Company granted FWD exclusive branding rights and entitlements along the MCX. FWD will pay the Parent Company an annual fee amounting to 15.1 million, subject to a 3% yearly escalation rate.

Non-Toll User Related Facilities

On October 24, 2016, the Parent Company entered into an agreement with Isuzu Automotive Dealership, Inc. (the Lessee) for the lease of 15,000 square meters of the concession area. The lease term is 20 years from October 1, 2016 to September 30, 2036, renewable for another period not exceeding June 28, 2045 upon mutual agreement. The fixed initial basic rent of the leased concession area shall be ₱1,275,000, exclusive of VAT, per month. Basic rent shall escalate by 5% at the start of the third year and every two years thereafter. The Lessee shall be given a rent free construction period of 3 months from October 1, 2016 to December 31, 2016.

The leased concession area shall be used by the Lessee for the purpose of developing and operating a dealership showroom and service center and to carry out other related retail, services and support activities incidental and complementary to its business and may be customary to the trade.

On June 22, 2021, Isuzu sent a letter of request to pre-terminate their lease contract with MCX effective September 30, 2021.

On September 17, 2021, a response letter was sent to Isuzu agreeing to the request of contract pre-termination subject to the following conditions:

- a. Effective date of termination shall be on December 30, 2022; and
- b. The security deposit shall be forfeited.

As of December 31, 2021, discussions and negotiations with Isuzu to agree on the pre-termination date and forfeiture of security deposit are underway.

On February 2, 2017, the Parent Company entered into a lease agreement with Premier Petrol Distributors, Inc. (the Lessee) for the lease of an approximately 10,667 square meters of the concession area. The lease term is 20 years from September 1, 2017 to August 31, 2037, renewable for another period not exceeding June 28, 2045 upon mutual agreement. The fixed initial basic rent of the leased concession area shall be ₱1.1 million, exclusive of VAT, per month. Basic rent shall escalate by 5% at the start of the second year and every year thereafter. On February 10, 2020, the lease agreement was amended for a new lease area of approximately 4,073 square meters with an amended lease term of 20 years from May 17, 2019 to May 16, 2039, renewable for a period not exceeding March 28, 2045. The amended fixed initial monthly basic rent amounted to ₱0.3 million, exclusive of VAT, and subject to a 5% annual escalation rate.

On July 6, 2017, the Parent Company signed the contract of lease with Globe Telecom, Inc. (the Lessee) for the use of the following locations:

- a. Macro Site – 64 square meters of land within the concession area
- b. Small Cell (Easy Macro) Site – 7 lamp posts locations
- c. Atom Cells' Site – 4 locations in the tunnel underneath SLEX

The lease term shall be twenty-nine (29) years and eleven (11) months, commencing on August 1, 2016 and continuing until June 28, 2045. The fixed initial basic rent of the leased concession area shall be ₱31,400 per month, exclusive of VAT, subject to annual escalation of 4.5% starting at the beginning of the second year.



On November 13, 2018, the Parent Company and Pilipinas Shell Petroleum Corporation executed a twenty (20) years lease contract for an approximate area of 9,689 square meters. The lease contract was effective July 15, 2018 and ending on July 14, 2038, renewable for another period not exceeding December 28, 2044 upon mutual agreement. The fixed initial monthly basic rent of the leased concession area shall be ₱823,565, exclusive of VAT. Basic rent shall escalate by 5% at the start of the third year and every year thereafter.

In April 2020, the Parent Company signed the lease agreement with AC Infra for an approximate area of 16,001 square meters for the location of the MCX E-Commerce Center. The lease is for a period of eleven (11) years and 21 days effective September 1, 2018 until September 21, 2029, renewable for another period not exceeding June 28, 2045 upon mutual agreement. The initial monthly basic rent amounted to ₱1.4 million, exclusive of VAT, subject to escalation of 2.4% at the start of the second year and every year thereafter. The rental payment commenced on September 28, 2020.

For all non-toll and toll user related agreements, including short-term advertising leases within the basic and additional right of way of the MCX, the Parent Company will pay the DPWH an amount equivalent to 5% of all gross revenues in accordance with Section 12.6.b of the Concession Agreement.

In line with the impact of COVID-19, the Parent Company experienced lower traffic count that resulted to lower toll revenue in 2020. In 2021, traffic count has recovered to near pre-pandemic levels which resulted to increased toll revenue for the period. The Parent Company performed impairment assessment on its service concession assets and concluded that there are no impairment indicators as of December 31, 2021.

ACEIC

Feed-in-Tariff (FIT)

On June 10, 2015, San Lorenzo Wind Project (SLWP) was issued a Certificate of Endorsement for Feed-In Tariff Eligibility by the DOE. On December 1, 2015, Guimaras Wind Corporation received its Certificate of Compliance from the ERC which entitles Guimaras Wind Corporation to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning December 27, 2014, for a guaranteed period of twenty (20) years until December 26, 2034. Outstanding receivable under the FIT System amounted to ₱507.5 million and ₱498.6 million as of December 31, 2021 and December 31, 2020, respectively.

Power Supply Agreement with MERALCO

Baseload Demand

On September 9, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO's 1200 MW. ACEN will supply MERALCO a baseload demand of 200MW from December 26, 2019 until December 25, 2029 subject to the approval of the ERC.

On October 22, 2019, MERALCO and ACEN ("the Parties") filed with the ERC a joint application for approval of its baseload PSA. Under the PSA, ACEN will supply, at a fixed rate, 200 MW baseload capacity to MERALCO for ten (10) years from the issuance by the ERC of a provisional approval. Hearings were conducted on January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the baseload PSA between MERALCO and ACEN (the "PA Order"). Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor and not subject to any escalation rate.



On February 7, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others that: (a) the terms of reference of the competitive selection process of MERALCO allowed ACEN to provide a competitive offer; (b) inclusion of the plant capacity factor in determining the rate is essential in managing the risks of ACEN; (c) the proposed escalation rate is within the parameters of the bidding terms, the rate offered by ACEN is inclusive of the escalation rate and is lower than the expiring power supply agreements of MERALCO; (d) retroactive application of the rates under the PSA is warranted.

On May 13, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration ("Order Granting the MR"). The ERC, in its Order Granting the MR, approved a rate of ₱4.2366/kWh at 100% plant capacity factor, allowed 60% of the approved rate to escalate by 3.5% on 2021 and 2.5% on 2022, and allowed a retroactive recovery of approved rate from December 26, 2019, among others. The Parties have already agreed on the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱618.27 million.

Mid-merit Supply

On September 11, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO's 500 MW. ACEN will supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of the ERC. Power Purchase Agreement / Contract to Purchase Generated Electricity ACEN entered into contracts with MGI and third parties where ACEPH will purchase the entire or a portion of the net electricity output of the power plants for a period ranging from three (3) to twenty (20) years at an agreed price, subject to certain adjustments.

On October 22, 2019, MERALCO and ACEN ("the Parties") filed with the ERC a joint application for approval of the mid-merit PSA. Under the PSA, ACEN will supply, at a fixed rate, 110 MW mid-merit capacity to MERALCO for five (5) years from the issuance by the ERC of a provisional approval. Hearings were conducted on December 3, 2019, January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the mid-merit PSA between MERALCO and ACEN. Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor.

On February 07, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others that: (a) the terms of the competitive selection process of MERALCO allowed ACEN to provide its competitive offer; (b) the application of the baseload rate to a mid-merit capacity should be reconsidered; (c) inclusion of the plant capacity factor in determining the rate is essential in managing the risks of ACEN; (d) the financial nature of the PSA allows ACEN to source from its nominated power plants, including its coal and solar plants, other power plants, or from the WESM; and (e) a retroactive application of the rates under the PSA is warranted.

On June 01, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration. The ERC, in its Order Granting the MR, approved a rate of ₱4.8763/kWh at 60% plant capacity factor, and allowed a retroactive recovery of approved rate from January 30, 2020, among others. The Parties are finalizing the agreement for the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱158.50 million.

Power Administration and Management Agreement (PAMA)

ACEN entered into PAMA with its subsidiaries Bulacan Power, CIPP and One Subic Power. Under the terms of PAMA, ACEN will administer and manage the entire generation output of the plants and will pay for all electricity delivered by the power plant based on a formula as set forth in PAMA and shall be payable monthly. PAMAs with Bulacan Power and CIPP are valid for ten (10) years and are subject to regular review, while PAMA with One Subic Power is valid throughout the life of the related Facilities Lease Agreement with SBMA



On January 12, 2018, PAMAs of ACEIC Group with CIPP and Bulacan Power were amended, providing for certain capacity rates based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMAs became effective starting March 26, 2018 and valid for 10 years and are subject to regular review.

Ancillary Services Procurement Agreements (ASPA) with NGCP

ACEN and certain subsidiaries executed ASPAs with NGCP. Under the ASPA, the power plants will provide contingency and dispatchable reserves to NGCP to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the ERC. Pending ERC's issuance of a final approval, provisional approval is extended every year.

Other Electricity Supply Agreements (ESA) / Contract for the Sale of Electricity (CSE) with customers

ACEN signed contracts to supply the energy requirements of various bilateral and RES contestable customers with a duration ranging from one (1) to fifteen (15) years.

AC Infra

On September 12, 2015, LRMC took over the operations of LRT Line 1. In December 2015, LRMC started its rehabilitation of the existing line. On June 28, 2019, the Structural Restoration Project, which includes the parapets, faulty concrete and repair of river bridges, of the existing line was completed. As of December 31, 2019, the Engineering, Procurement and Construction (EPC) Works related to the Existing System Rehabilitation, the Re-engineering Project, the RSS Rehabilitation Project and the Security Network Systems Project are 55.4%, 93.3% (project management to on-site installation) and 85.0% (defect liability period and tuning phases), 73.4%, 80.1% complete, respectively.

As of December 31, 2021, the EPC Works related to the Existing System Rehabilitation and RSS Rehabilitation Project are 74.3% and 99.7% complete, respectively.

The re-engineering project and works on the security network systems project were completed on May 3, 2021 and October 26, 2021, respectively.

Total interest payments made in 2021 amounted to ₱1,280.9 million and total drawdowns made to finance EPC payments amounted to ₱4,519.1 million.

Total interest payments made in 2020 amounted to ₱1,072.7 million and total drawdowns made to finance EPC payments amounted to ₱3.7 billion.

Construction of the Cavite extension is expected to commence once right of way is delivered by the Grantors and is targeted to complete four years thereafter. On May 30, 2017, LRMC received the Permit to Enter certificate from the Grantors allowing LRMC to enter the concerned properties and commence the construction of Cavite extension. As of December 31, 2021 the EPC Works related to the Cavite Extension Works is 67.5% complete,.

On February 12, 2018, the NAIA Consortium composed of Aboitiz InfraCapital, Inc., AC Infrastructure Holdings Corporation, Alliance Global Group Inc., Asia's Emerging Dragon Corporation, Changi Airport International Capital Pte. Ltd., Filinvest Development Corporation, JG Summit Holdings, Inc. and Metro Pacific Investments Corporation submitted its unsolicited proposal for the rehabilitation, upgrade, expansion, operation, and maintenance of the Ninoy Aquino International Airport.

On July 6, 2020, the NAIA Consortium submitted a letter to NEDA notifying NEDA that, given the impact of the pandemic, the NAIA consortium can only move forward with the NAIA Project under the revised conditions that the NAIA Consortium proposed.



On July 10, 2020, the NAIA Consortium received a letter from MIAA, notifying the NAIA Consortium that MIAA is terminating any further negotiations with the Consortium on the NAIA unsolicited proposal and withdraws/revokes the Original Proponent Status and approvals earlier granted. This letter is in response to the above consortium's letter addressed to NEDA.

36. Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

ACEIC

PB 102 Oil Spill

ACEN's PB 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil in the afternoon of July 3, 2020. Based on initial investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill. Bulacan Power Generation Corporation (BPGC), the operator and maintenance services provider of PB 102, immediately activated containment protocols. With the assistance of the Philippine Coast Guard ("PCG") and industry and community partners, the leakage was substantially contained within the same day. After containment, ACEN, through BPGC, and the PCG immediately started recovery of the spilled fuel oil with recovery capacity being accelerated with the deployment of additional oil skimming equipment. ACEN has also engaged Harbor Star Shipping Services, Inc. (Harbor Star), a leading maritime services provider, to complete the clean-up of both the waters and the coastline.

ACEN has notified the insurers of PB 102 about the event, and discussions are ongoing in this regard. As of December 31, 2021, ACEIC group has incurred ₱27.7 million in fuel loss, community assistance oil containment and recovery of expenses, net of insurance proceeds. ACEIC group will continue to take measures to mitigate the environmental impact of the spill and to fully cooperate with authorities to address all relevant concerns.

On July 28, 2020, ACEN received a Resolution dated July 27, 2020 issued by Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) Region VI, in relation to Notice of Violation No.20-NOVW-0630-164, for possible violation of Section 27(a) of DENR Administrative Order 2005-10, the Implementing Rules and Regulations of the Philippine Water Act of 2004 (Republic Act No. 9275), in connection with the oil spill involving PB 102 which occurred on July 3, 2020.

Possible payment of fines to be determined by the Pollution Adjudication Board, in the range of (1) ₱10,000 to ₱200,000 per day from the time of the incident (July 3, 2020) until full recovery of the discharged fuel (July 13, 2020), for alleged violation of RA 9275; and (2) ₱50,000 to ₱1,000,000 or imprisonment of not less than one (1) year but not more than six (6) years, or both, for alleged violation of Section 4 of PD 979.

ACEN has contested this Resolution and filed a Motion for Reconsideration. A technical conference was conducted by PAB on December 2, 2021 where ACEN manifested the pending MR. ACEN was then required by PAB to submit its Position Paper on an *ad cautelam* basis.

ACEN has received claims for compensation for property damages and loss of livelihood from claimants in Iloilo and Guimaras which were allegedly affected by the oil spill. These claims are undergoing validation.



Refund of Market Transaction Fee from PEMC

On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering the PEMC to refund the over collection in the Market Transaction Fee (MTF) in 2016 and 2017. The Commission determined the over collection by getting the variance between the MTF collected in 2016 and 2017, and the ERC-Approved Budget of PEMC for the same period. The total refund was determined at ₱433.2 million which shall be apportioned among all the Luzon and Visayas participants. The ERC directed PEMC to implement the refund over twelve (12) months beginning on the next billing month upon receipt of the relevant Decision.

PEMC filed a motion for reconsideration with the ERC. In an Order promulgated on June 11, 2021, the ERC resolved to deny the motion for reconsideration filed by the PEMC and directed PEMC to submit its plan of action for the refund scheme. The Group monitors PEMC's action relative to the ERC's Decision and Order.

37. Renewable Energy Act of 2008

Republic Act No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" or "RE" (the Act), became effective on January 30, 2009.

As provided for in the Act, developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments, shall be entitled to the following incentives, among others:

- i. Income Tax Holiday (ITH) – For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
- ii. Duty-free Importation of RE Machinery, Equipment and Materials – Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
- iii. Special Realty Tax Rates on Equipment and Machinery – Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed 1.5% of their original cost less accumulated normal depreciation or net book value;
- iv. NOLCO – the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
- v. Corporate Tax Rate – After seven (7) years of ITH, all RE developers shall pay a corporate tax of 10% on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
- vi. Accelerated Depreciation – If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
- vii. Zero Percent VAT Rate – The sale of fuel or power generated from renewable sources of energy shall be subject to 0% VAT;



viii. Cash Incentive of RE Developers for Missionary Electrification – An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to 50% of the universal charge for power needed to service missionary areas where it operates the same;

ix. Tax Exemption of Carbon Credits – All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and

Tax Credit on Domestic Capital Equipment and Services – A tax credit equivalent to 100% of the value of the VAT and customs duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act.

In addition, to accelerate the development of emerging renewable energy resources, a feed-in tariff system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass will be promulgated which shall include, but not limited to, the following:

- a. Priority connections to the grid for electricity generated from emerging renewable energy resources;
- b. The priority purchase and transmission of, and payment for, such electricity by the grid system operators; and
- c. Determine the fixed tariff to be paid to electricity produced from each type of emerging renewable energy and the mandated number of years for the application of these rates, which shall not be less than twelve (12) years.

The feed-in tariff to be set shall be applied to the emerging renewable energy to be used in compliance with the renewable portfolio standard as provided for in the Act and in accordance with the feed-in-tariff rules to be promulgated by the ERC in consultations with the National Renewable Energy Board.

RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB upon registration.

ACEIC and its subsidiaries expect that the Act will impact their future operations and financial results. The impact of the Act will be disclosed as the need arises.

Northwind

On November 9, 2010, the DOE issued a Provisional Certificate of Registration as an RE Developer in favor of Northwind, subject to negotiation and execution of a Wind Energy Service Contract to replace the Negotiated Commercial Contract.

On October 10, 2014, the DOE granted Northwind a Certificate of Endorsement for FIT Eligibility (COE-FIT No. 2014-10-001) for its Phase III expansion project. The endorsement was the basis for the ERC to issue a FIT COC on April 13, 2015.

The FIT rate covers the period October 10, 2014 to October 9, 2034 for Northwind's 19MW Phase III wind farm and November 11, 2014 to November 10, 2034 for NLREC's 81MW project.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the NPDC's rate starting 2020 shall be ₱6.52/kWh and ₱8.90/kWh for Phase I & 11 and Phase III, respectively.



MSEI

On June 13, 2016, the DOE, through its issuance of the Certificate of Endorsement, certified the Montesolar's Solar Farm Project as an eligible project under the FIT system. On December 28, 2016, MSEI received another provisional authority to operate by the ERC dated December 8, 2016 but this time, as a renewable energy generation company, which allows MSEI to be entitled to a FIT rate of ₱8.69/Kwh for a period of twenty (20) years from March 11, 2016.

On February 6, 2017, MSEI received the COC from ERC and accordingly, measured its revenue from energy sales using FIT rate.

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020. The Company accrued the retroactive net revenue adjustment based on the adjusted FIT rates for the years 2016 (₱8.69/kWh), 2017 (₱8.71/kWh), 2018 (₱9.04/kWh), 2019 (₱9.41/kWh) and 2020 (₱9.82/kWh).

Tariff Adjustment

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. The resolution was published in a newspaper of general circulation in the country on November 17, 2020. Renewable energy subsidiaries under the FIT system include Guimaras Wind Corporation, MSEI, SACASOL, and NorthWind.

38. Impact of the Coronavirus Disease 2019 (COVID-19) Outbreak

The declaration last March 2020 by World Health Organization (WHO) of COVID-19 as a pandemic led to government-mandated lockdowns in several countries. The declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country immediately took effect. These factors including immediate action to contain COVID caused disruptions in the Group's business activities – both in local and foreign operations.

2021 saw certain degree of recovery in the operating performance of most business units in the Group. The challenges and prospects brought about by the pandemic continued but was an opportune time to recalibrate Ayala's portfolio strategy. Greater emphasis on portfolio strategy was observed with a sharper focus on optimizing returns from existing businesses and a disciplined process on capital deployment while actively exploring opportunities for value realization to fund future investments of the Group.

In early 2022, the improving business environment demonstrates how organizations have adapted and readjusted themselves almost two years into the pandemic. With the pace of inoculation ramping up, the Group look forward to a further reopening of the economy and sustaining this positive trajectory.

ALI

ALI group was significantly affected - from construction, real estate sales, leasing to resorts and hotels operations segments. While there are recent signs of increased market activity with the easing of quarantine measures and increased mobility in key areas in the Philippines, management believes that the impact of the COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

As of the reporting date, all shopping malls have reopened at adjusted operating hours and construction works for commercial and residential projects have resumed while following the safety protocols mandated by the national government. Most hotels remained open throughout the community quarantine period, catering mostly to business process outsourcing employees and returning overseas Filipino workers.



IMI

The manufacturing operations of IMI was highly affected by lockdowns in China, Philippines and Mexico and voluntary shutdowns in the Europe factories to align with the demand slowdown during the first half of the year. Revenues in the second half of 2020 recouped, 39% better than first half and 7% higher year-on year on the back of strong demand recovery and subsequent normalization of operations. The global demand for security and I-o-T products boosted industrial revenue while mobility-focused European and North American facilities benefitted from the rapid rise of global automotive production. In addition, IMI's growing foothold in the profitable medical segment also led to increased higher margin sales for its manufacturing plants in Asia.

To mitigate the impact of the lockdowns, various sites affected obtained approvals to run essential businesses, optimized manpower resources and implemented various cost cutting initiatives. IMI Group also collaborated with local government units to secure various forms of employee related subsidies in Bulgaria, China, Czech Republic, France, Mexico, Serbia, and Singapore. These, along with improved manufacturing efficiency drove improved margins and lower losses compared to last year.

The effects of potential recurrence of pandemic related shutdowns after the reporting period may pose risks and unfavorable impact to the Company but will not materially affect the Company's ability to continue as going concern.

ACEIC

With respect to ACEIC Group's operations in the Philippines, the community quarantines resulted in delays in the construction of power projects, a decline in demand for ACEIC Group's output from industries, offices, and shopping malls which account for the bulk of energy consumption, and a decline in WESM prices as demand for electricity decreased. In addition, the ERC directed distribution utilities and retail electricity suppliers to allow consumers a grace period for the payment of their electric consumption without interest, penalties and other charges. As of December 31, 2020, ACEIC has collected all receivables.

Nevertheless, as the Department of Energy recognizes that energy utilization is a basic necessity and is vital to the society, the movement of energy related good and the movement of energy related personnel, subject to adherence to necessary public health precautions prescribed by the Department of Health, continue to be permitted. As such, ACEIC Group continues to ensure uninterrupted access to power regardless of any community quarantine restrictions imposed. Construction has resumed in ACEIC Group's project located in the Philippines, while construction in Vietnam, and India has been proceeding as planned. The Company's operations in Vietnam and Indonesia were not significantly affected by the outbreak and continue to enjoy stable cash flows pursuant to long term contracts and FIT schemes.

Refer to Notes 3, 4, 7, 10, 14 and 21 for additional discussion of specific impact of the COVID-19 to certain financial statement accounts.

39. Events after the Reporting Period

Parent Company

Purchase of ALI shares

On February 2, 2022, the Parent Company purchased 20.0 million ALI common shares at a purchase price per share of ₱34.275 or a total of ₱686.4 million.

Capital Infusions

On January 25, 2022, the Parent Company infused ₱258.9 million to AC Health to fund the corporate overhead and business development costs of AC Health, Healthway Philippines Inc., Vigos Ventures Inc., and Healthnow Inc., ₱251.7 million will be for subscription to 50.0 million preferred shares while ₱7.2 million will be for the payment of outstanding subscription payable as of December 31, 2021.



On February 21, 2022, the Parent Company infused ₱48.5 million to AC Health to fund the purchase of the remaining 76% equity in AIDE thru Healthnow. AC Health will issue 9.7 million redeemable preferred shares at a subscription price of ₱5.0 per share.

On January 25, 2022, the Parent Company infused ₱294.9 million to AC Infra to fund its 35% share in the ₱775.0 million capital call of LRMC and its 50% share in the costs related to the increase in authorized capital stock of LRMH. AC Infra will issue 294.98 million redeemable preferred shares with a par value of ₱1 per share when their application for increase in authorized capital stock will be approved by SEC.

On January 3, 2022 and January 24, 2022, the Parent Company infused ₱24.0 million and ₱21.0 million, respectively, to AAC to fully cover its disbursements for the first quarter of 2022. Capital infusion will be for the full payment of AC's outstanding subscription payable as of December 31, 2021.

On February 11, 2022, the Parent Company infused ₱164.0 million to AC Logistics to fund its budgeted expenses for 2022. AC Logistics issued 164.0 million common shares at ₱1 par value per share from its unsubscribed authorized capital stock.

Payment of short-term and long-term loans

On January 8, 2022, the Parent Company fully paid its short-term loan secured from a local bank amounting to US\$10.0 million contracted on October 8, 2021.

On various dates in January 2022, the Parent Company made partial payments on its long-terms loans with a local bank amounting to ₱153.8 million and with BPI amounting to ₱56.25 million.

Declaration of dividends

On January 17, 2022, the BOD approved the declaration of the first quarter cash dividends on the Parent Company's outstanding Preferred "B" Series 1 shares at $\frac{1}{4}$ of 5.250% p.a. or ₱6.5625 per share, payable to stockholders of record as of January 31, 2022, and distributable on February 15, 2022.

On January 31, 2022, the BOD approved the declaration of first quarter cash dividends on the Parent Company's outstanding Preferred "B" Series 2 shares at $\frac{1}{4}$ of 4.8214% p.a. or ₱6.02675 per share, payable to stockholders of record as of February 15, 2022, and distributable on February 28, 2022.

Planned Issuance of Philippines Peso Fixed Bond and Amendment to the Third Article of the Articles of Incorporation

On March 10, 2022, the BOD approved the following:

- The issuance of the Parent Company's Philippine Peso Fixed Rate Bonds in the aggregate principal amount of up to P10.0 billion with an Oversubscription Option of up to an additional P5.0 billion which will constitute the second tranche of the up to P30.0 billion shelf registration earlier approved by the SEC in May 2021.
- The amendment to the Third Article of the Articles of Incorporation on the change of principal address from 32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Metro Manila, Philippines to 37F to 39F Ayala Triangle Garden Tower 2, Paseo de Roxas cor Makati Avenue, Makati City, 1226, Philippines. The amendment will be presented to stockholders for approval at the annual stockholders' meeting on April 29, 2022.



Sale of MCXPCI

On December 10, 2021 the BOD of the Parent Company approved the signing of investment agreement with Prime Asset Ventures, Inc. (PAVI) for the sale of the Parent Company's 100% ownership stake in MCXPCI, subject to the consent of the project's grantor, the DPWH. The concession assets and obligations under the MCX are currently embedded within the Parent Company (see Note 13). The Parent Company is in the process of transferring the same to MCXPCI following the receipt of consent from DPWH. On March 10, 2022, DPWH granted its consent to the transfer of the concession assets and obligations under the MCX CA from AC to MCXPCI.

ACEIC

Amendment of Administration and Management Agreement with SLTEC

On January 21, 2022, the BOD of ACEN approved the amendment to the Administration and Management Agreement with SLTEC to include, among others, the provision of operations and maintenance services by ACEN to SLTEC.

Sale of Power Barge 101

On January 21, 2022, ACEN and MORE Power Barge, Inc. executed a Deed of Absolute Sale and Assignment implementing the sale of Power Barge 101, amounting to ₱126.00 million, inclusive of VAT.

ACEN and UPC Renewables to construct their largest solar project in India

On January 30, 2022, ACEN and UPC Solar Asia Pacific, commenced construction of the 300 MWac (420 MWp) Masaya Solar farm through their joint venture company, UPC-AC Energy Solar.

The Masaya Solar project is located in the Khandwa District, State of Madhya Pradesh, and is set to produce 691 GWh of renewable energy per year while avoiding approximately 635,720 MT of CO₂ emissions annually. Once completed, the Masaya Solar farm will be UPC-AC Energy Solar's third and largest solar project in India to date.

UPC-AC Energy Solar is in the process of securing a 20-year loan from the State Bank of India to fund the project with an estimated project cost of US\$220.00 million under a 75:25 debt-to-equity financing scheme, with the joint venture supplying electricity at INR 2.71 per kWh fixed over a 25-year period under a power supply agreement with the Solar Energy Corporation of India.

ACEN to acquire 49% interest in Vietnam solar platform of Super Energy Corporation

On January 31, 2022, ACEN, through its wholly-owned subsidiary, AC Energy Vietnam Investments Pte. Ltd. ("ACEV") and Super Energy Corporation Public Company Limited ("SUPER"), through its subsidiary, Super Energy Group (Hong Kong) Co., Limited ("Super HK"), have signed an agreement to form a strategic partnership to develop, own and operate renewable energy projects across ASEAN.

ACEV signed a share purchase agreement (with conditions precedent) to acquire a 49% interest of Solar NT, owned by Super HK. SUPER is a premier Thai renewable energy developer and investor. The transaction will be via secondary shares acquisition for a total consideration of US\$ 165.00 million.

Post-restructuring, Solar NT will own and operate nine solar power plants across Vietnam with a total capacity of approximately 837 megawatts.

The transaction is the beginning of a strategic partnership between ACEN and SUPER which will continue to expand their renewable footprints in Vietnam as well as exploring other Southeast Asian markets.



Subscription by ACEN to shares in Buendia Christiana Holdings Corp. (BCHC)

On February 14, 2022, ACEN signed a subscription agreement with BCHC for the subscription by ACEN to 3.02 million common shares and 16.99 million redeemable preferred shares (RPS), subject to the necessary regulatory approval by the SEC of the increase in ACS of BCHC. The additional capital will be used by BCHC to purchase real property required for various potential power projects.

ACEN powers up country's first hybrid solar and storage project

On February 21, 2022, the Group's Battery energy storage system through Giga Ace 4 has started operations. The pilot 40 MW (2x20 MW) energy storage project located in Alaminos, Laguna, is adjacent to SolarAce1's operating 120 MW Alaminos Solar Farm.

Sale of Power Barge 102

On February 22, 2022, ACEN and SPC Island Power Corporation executed a Deed of Absolute Sale and Assignment implementing the sale of PB 102. Conditions precedent to closing of the transaction is the approval of PSALM to the assignment of the Lease Agreement covering the mooring site of PB 102.

AC Industrial

Assignment of receivables

Effective January 1, 2022, AC Industrials assigned its receivables including accrued interest from Merlin Solar Technologies, Inc. (MSTI) amounting to US\$17.34 or ₱884.44 million to ACI Solar Holdings NA, Inc. (ACI Solar) payable on or before January 28, 2023. The assigned receivables will allow ACI Solar to convert the receivables into equity in MSTI.

ALI

Property-for-share swap

On January 20, 2022, the Board of Directors of Ayala Land, Inc. approved a property-for-share swap with Ayala Corporation and Mermac, Inc. Under the transaction, AC and Mermac will transfer assets (including, among others, all of AC's shareholdings in Darong Agricultural and Development Corporation) to ALI in exchange for its primary common shares. The transaction is still subject to the regulatory approvals.

BOD Approvals

On February 24, 2022, the BOD approved the following:

- a. The raising of up to ₱45 billion in debt capital to refinance maturing debt and partially finance general corporate requirements through the issuance of retail bonds and/or corporate notes for listing on the Philippine Dealing and Exchange Corporation and/or execution of bilateral term loans.
- b. The 2022 stock option program under our Employee Stock Ownership Plan (the "Plan") which authorizes the grant to qualified executives, in accordance with the terms of the Plan, of stock options covering up to a total of 17,250,890 common shares at a subscription price of ₱30.29 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading period as of February 14, 2022, less a 15% discount.
- c. The declaration of cash dividends of ₱0.1352 per outstanding common share payable on March 25, 2022 to stockholders of common shares as of record date March 11, 2022. This reflects a 49% decrease from the cash dividends declared in the first half of 2020 amounting to ₱0.268 per share.

BPI

Release of the 4th Tranche of the Peso Bond and Commercial Paper Program

On January 31, 2022, the BPI Group released the fourth tranche of the Peso Bond Commercial Paper Program with a par value amounting to ₱27,000 million. These bonds issued at a fixed rate of 2.81% p.a., payable quarterly. These bonds are unconditional, unsecured and unsubordinated, and are expected to mature within 2 years from issuance or January 31, 2024.



Globe

Declaration of dividends

On February 8, 2022, the BOD approved the declaration of the first quarter cash dividend of ₱27 per common share, payable to common stockholders of record as of February 22, 2022. Total dividends to ₱3.6 billion will be payable on March 10, 2022.

40. **Approval of the Consolidated Financial Statements**

The consolidated financial statements of Ayala Corporation and Subsidiaries (the Group) as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were endorsed for approval by the Audit Committee on March 4, 2022 and authorized for issue by the BOD on March 10, 2022.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Corporation
32F-35F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Corporation and its subsidiaries (the Group) 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 March 10, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 3 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



Lucy L. Chan

Partner

CPA Certificate No. 88118

Tax Identification No. 152-884-511

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88118-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. 08-001998-046-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8853480, January 3, 2022, Makati City

March 10, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Ayala Corporation
32F-35F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Corporation and its subsidiaries (the Group) 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 March 10, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 3 to the consolidated financial statements, 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 SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 3 to the consolidated financial statements. Except for Price per share, components of these financial soundness indicators have been traced to the consolidated financial statements as at December 31, 2021 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Lucy L. Chan
Partner
CPA Certificate No. 88118
Tax Identification No. 152-884-511
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 88118-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. 08-001998-046-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8853480, January 3, 2022, Makati City

March 10, 2022



AYALA CORPORATION AND SUBSIDIARIES

INDEX TO THE SUPPLEMENTARY SCHEDULES

Annex A: 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
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

Schedule H: Reconciliation of Retained Earnings Available for Dividend Declaration

Schedule I: 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

Schedule J: Financial Ratios

AYALA CORPORATION AND SUBSIDIARIES
Schedule A – Financial Assets
As of December 31, 2021
(In Thousand Pesos)

A. Financial Assets at Fair Value Through Profit and Loss (FVTPL) - Current Financial Assets at FVTPL amounted to ₱7,529,812k is shown under the Other Current Assets account and is 1.51% of the ₱ 497,272,337k Total Current Assets as of December 31, 2021.	Not applicable
B. Financial Assets at Fair Value Through Profit and Loss (FVTPL) - Noncurrent Financial Assets at FVTPL-noncurrent amounted to ₱4,589,190k is shown under the Other Noncurrent Assets account and is 0.54% of the ₱851,713,603k Total Noncurrent Assets as of December 31, 2021.	Not applicable
C. Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) - Noncurrent Financial Assets at FVOCI amounted to ₱5,278,118k is shown under Other Noncurrent Assets account and is 0.62% of the ₱851,713,603k Total Noncurrent Assets as of December 31, 2021.	Not applicable
D. Financial Assets at Amortized Cost - Noncurrent Financial Assets at amortized cost amounted to ₱26,085,959k is shown under Other Noncurrent Assets account and is 3.06% of ₱851,713,603k Total Noncurrent Assets as of December 31, 2021.	Not applicable

Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
As of December 31, 2021
(In Thousand Pesos)

Account Type	Beginning Balance	Additions	Deductions	Ending Balance	Current	Non-current	Payment Period
Advances to Employees	₱ 699,620	₱ 466,145	₱ (551,670)	₱ 614,095	₱ 528,489	₱ 85,606	30 days to 1 year
Housing and Related Loan	73,973	256,491	(248,509)	81,955	(120,139)	202,094	1 year to 15 years
Car and Related Loan	133,377	97,414	(122,561)	108,230	36,785	71,445	1 year to 5 years
Others	527,261	328,422	(394,080)	461,603	308,109	153,494	6 months to 1 year
TOTAL*	₱1,434,231	₱1,148,472	₱ (1,316,820)	₱1,265,883	₱ 753,244	₱512,639	

* Please refer to Note 7 Accounts and Notes Receivable and Note 31 Related Party Transactions in the 2021 Consolidated Audited Financial Statements for detailed account analysis and discussion.

AYALA CORPORATION AND SUBSIDIARIES
Schedule C1. – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2021
(In Thousand Pesos)

Creditor	Creditor's Relationship to the Reporting Co.	Account Type	Beginning Balance	Movement	Ending Balance	Nature of Accounts
AC	Parent	Dividends receivable	₱ 1,005,000	₱ (995,000)	₱ 10,000	Dividends from AC Energy and DADC
AC	Parent	Other receivable	327,675	(121,284)	206,391	Rental fees, with interest on overdue accounts; other receivables
AAC	Subsidiary	Subscription receivable	170,000	(125,000)	45,000	Deposits on subscriptions, non-interest bearing
ACIFL	Subsidiary	Accounts and notes receivable	65,435	2,509,395	2,574,830	Mainly interest-bearing loans receivable from BHL (for various investments)
AGCC	Subsidiary	Trade receivable	11,637	20,063	31,700	Legal fees
ALI	Subsidiary	Accounts receivable	455,787	(145,888)	309,898	Advances, non-interest bearing and retention accounts for construction projects
AYC	Subsidiary	Other receivable	40,343,257	(2,599,816)	37,743,441	Mainly non-interest bearing receivable from ACIFL (for various investment)
IMI	Subsidiary	Other receivable	14,371	8,512	22,883	Advances, non-interest bearing
PFIL	Subsidiary	Other receivable	73,943	4,582	78,525	Other receivables from ACIFL
Others	Subsidiary	Trade and other receivable	112,107	(94,317)	17,790	Reimbursement of expenses, etc.
TOTAL			₱42,579,212	₱(1,538,753)	₱41,040,458	

Schedule C2. – Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2021
(In Thousand Pesos)

Debtor	Debtor's Relationship to the Reporting Co.	Account Type	Beginning Balance	Movement	Ending Balance	Nature of Accounts
AC	Parent	Accounts and Subscription payable	₱ 469,403	₱ (126,461)	₱ 342,942	Deposits on subscriptions; advances, non-interest bearing
AC Energy	Subsidiary	Dividends payable	1,000,000	(1,000,000)	-	Dividends payables to AC
ACI	Subsidiary	Accounts payable	66,718	7,140	73,857	Mainly rental fees, with interest on overdue accounts
ACIFL	Subsidiary	Accounts payable	40,343,257	(2,599,816)	37,743,441	Non-interest bearing payable to AYC (for various investment)
ACIFL	Subsidiary	Accounts payable	73,943	4,582	78,525	Other payables to PFIL
AGCC	Subsidiary	Accounts payable	25,745	29	25,773	Rental fees, with interest on overdue accounts
ALI	Subsidiary	Other payables	251,269	(72,799)	178,471	Advances, non-interest bearing
AYC	Subsidiary	Other payables	64,860	3,905	68,765	Other payables to ACIFL
BHL	Subsidiary	Accounts and notes payable	8	2,505,413	2,505,421	Mainly interest-bearing loans payable to ACIFL (for various investments)
MHI	Subsidiary	Other payables	122,000	(122,000)	-	Other payables to AC
Others	Subsidiary	Other payables	162,010	(138,746)	23,264	Reimbursement of expenses, etc.
TOTAL			₱42,579,212	₱(1,538,753)	₱41,040,458	

AYALA CORPORATION AND SUBSIDIARIES
Schedule D – Long-term Debt *
As of December 31, 2021
(In Thousand Pesos)

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT	NON- CURRENT	TOTAL	INTEREST RATE	MATURITY DATE
PARENT COMPANY:						
Bank loans	various	₱ 4,288,846	₱ 35,513,285	₱ 39,802,131	With fixed interest rates ranging from 2.3% to 6.0% per annum and floating interest rates based on applicable benchmark plus credit spread ranging from 0.45% to 0.70%.	With varying maturity dates up to 2030
Bonds		-	39,781,395	39,781,395		
Due 2023	₱ 10,000,000	-	9,974,273	9,974,273		
Due 2025	₱ 10,000,000	-	9,955,177	9,955,177		
Due 2027	₱ 10,000,000	-	9,965,511	9,965,511		
Due 2024	₱ 4,000,000	-	3,957,138	3,957,138		
Due 2026	₱ 6,000,000	-	5,929,296	5,929,296		
		4,288,846	75,294,680	79,583,526		
SUBSIDIARIES:						
Loans from banks and other institutions:						
Philippine peso	various	4,484,234	118,418,348	122,902,582	With interest rates ranging from 3.00% to 7.46%. With interest rates ranging from 1.67% to 4.23%.	various
Foreign currency	various	112,454	25,895,848	26,008,302		various
		4,596,688	144,314,196	148,910,884		
Bonds:						
Fixed for life notes	\$ 1,465,000	-	74,308,144	74,308,144	With interest rates ranging from 3.90% to 5.13%. With interest rates ranging from 4.75% to 5.25%.	Fixed for life perpetual notes various notes due 2024 and 2029
Green bonds	\$ 770,000	-	38,998,524	38,998,524		
Due 2022	₱ 5,650,000	5,650,000	-	5,650,000	6.00%	April 27, 2022
Due 2022	₱ 7,000,000	6,987,688	-	6,987,688	4.50%	April 29, 2022
Due 2022	₱ 10,000,000	9,970,491	-	9,970,491	3.00%	June 26, 2022
Due 2023	₱ 7,000,000	-	6,980,787	6,980,787	3.89%	October 7, 2023
Due 2023	₱ 3,000,000	-	3,000,000	3,000,000	3.05%	December 28, 2023
Due 2024	₱ 3,000,000	-	2,978,436	2,978,436	4.76%	September 30, 2024
Due 2025	₱ 7,000,000	-	6,969,407	6,969,407	4.75%	October 25, 2025
Due 2025	₱ 6,250,000	-	6,192,684	6,192,684	3.86%	September 29, 2025
Due 2025	₱ 10,000,000	-	9,903,889	9,903,889	3.63%	May 4, 2025
Due 2026	₱ 8,000,000	-	7,961,918	7,961,918	4.85%	March 23, 2026
Due 2026	₱ 8,000,000	-	7,934,304	7,934,304	6.37%	May 6, 2026
Due 2027	₱ 8,000,000	-	6,979,065	6,979,065	5.26%	May 2, 2027
Due 2027	₱ 1,000,000	-	963,622	963,622	4.99%	February 6, 2027
Due 2028	₱ 10,000,000	-	9,916,583	9,916,583	5.90%	April 27, 2028
Due 2031	₱ 3,000,000	-	2,977,789	2,977,789	4.08%	October 26, 2031
Due 2033	₱ 2,000,000	-	1,986,794	1,986,794	6.00%	October 10, 2033
		22,608,179	188,051,946	210,660,125		
Fixed Rate Corporate Notes (FXCNs)	₱ 5,000,000	-	4,650,000	4,650,000	4.50%	March 10, 2023
TOTAL	₱446,102,736	₱ 31,493,713	₱412,310,822	₱ 443,804,535		

* Please refer to Note 18 Short-term and Long-term Debt of the 2021 Consolidated Audited Financial Statements for the detailed discussion.

AYALA CORPORATION AND SUBSIDIARIES
Schedule E – Indebtedness to Related Parties (Long-term Loans from Related Parties)
As of December 31, 2021
(In Thousand Pesos)

Name of Related Parties	Balance at Beginning of Period	Balance at End of Period
Bank of the Philippine Islands (BPI)*	₱ 27,903,347	₱ 33,273,422
Increase due to borrowings made by IMI (₱6.1B), AC Energy (₱2.9B), AC Health (₱1.6B), ACI (₱1.3B); partly offset by payments made by ALI (₱5.8B) and AC (₱0.7B).		

*Amounts shown form part of the short-term and long-term debt payable to BPI per Note 31 - Related Party Transactions of the 2021 Consolidated Audited Financial Statements.

Schedule F – Guarantees of Securities of Other Issuers
As of December 31, 2021
(In Thousand Pesos)

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 filed	Nature of guaranty
AYC Finance Limited *	Various *	Total loan drawdowns amounted to \$1,200M wherein \$1,065M is outstanding as of December 31, 2021.*	None	The Parent Company unconditionally guarantees the due and punctual payment of the loan drawdowns if, for any reason AYCFL does not make timely payment of the amount due. The Parent Company waived all rights of subrogation, contribution and claims of prior exhaustion of remedies. The Parent Company's obligation as guarantor will remain in full force until no sum remains to be lent by the lenders, and the lenders recover the outstanding loan drawdowns.*

* Please refer to Note 35 - Commitments of the 2021 Consolidated Audited Financial Statements for the detailed discussion.

AYALA CORPORATION AND SUBSIDIARIES
Schedule G – Capital Stock*
As of December 31, 2021
(In Thousand Pesos)

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION & OTHER RIGHTS	NUMBER OF SHARES HELD BY RELATED PARTIES	DIRECTORS, OFFICERS & EMPLOYEES
Common Stock issued & subscribed ^{a/}	900,000,000	627,415,324	Refer to "Warrants and options outstanding; repricing" portion of Item 10 of the SEC17A report.	Refer to "Security ownership of certain record and beneficial owners" portion of Item 11 of the SEC17A report.	5,623,397
Issued and subscribed on exercise of share options		738,291			
Treasury Shares reissuance/acquisition	-	(8,450,000)			
Common shares outstanding	900,000,000	619,703,615			
Preferred A shares ^{b/}	12,000,000	-			
Preferred B shares ^{c/}	58,000,000	50,000,000			
Preferred C shares	40,000,000	-			22,000
Voting Preferred shares ^{d/}	200,000,000	200,000,000			1,419,559
^{a/} Ayala Corporation has stock option plans for the key officers (Executive Stock Option Plan- ESOP) and employees (Employee Stock Ownership Plan - ESOWN) covering 3% of the Company's capital stock. ^{b/} Cumulative, nonvoting and redeemable with a par value of ₱100 per share and is listed and traded at the Philippine Stock Exchange. It may be redeemed at the option of Ayala Corporation starting in the fifth year. The offering price is ₱500 per share with a dividend rate of 8.88% per annum. This security was redeemed on Nov. 25, 2013. ^{c/} Cumulative, nonvoting and redeemable with a par value of ₱100 per share. It is listed and traded at the Philippine Stock Exchange and may be redeemed at the option of Ayala Corporation starting on the fifth year of issue date. The offering price is ₱500 per share with a fixed quarterly dividend rate of 5.25% per annum for the Preferred B Series 1 and 4.8214% per annum for the Preferred B Series 2. ^{d/} Cumulative, voting and redeemable at the option of Ayala Corporation with a par value of ₱1 per share and dividend rate of 5.7730% per annum.					

* Please refer to Note 20 Equity of the 2021 Consolidated Audited Financial Statements for the related discussion.

AYALA CORPORATION AND SUBSIDIARIES
Schedule H – Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2021
(In Thousand Pesos)

	December 2021	December 2020
	In Thousands	
Unappropriated Retained earnings, as adjusted to available for dividend distribution, beginning	₱ 45,880,013	₱ 46,534,196
Add: Net income actually earned/realized during the period - Parent co.	7,078,445	4,554,651
Add (Less):		
Dividend declarations during the period	(5,548,077)	(4,341,577)
Treasury shares	(5,777,364)	(867,257)
Deferred tax asset during the period - net	(17,652)	-
	(11,343,093)	(5,208,834)
Retained earnings available for dividends	₱ 41,615,365	₱ 45,880,013

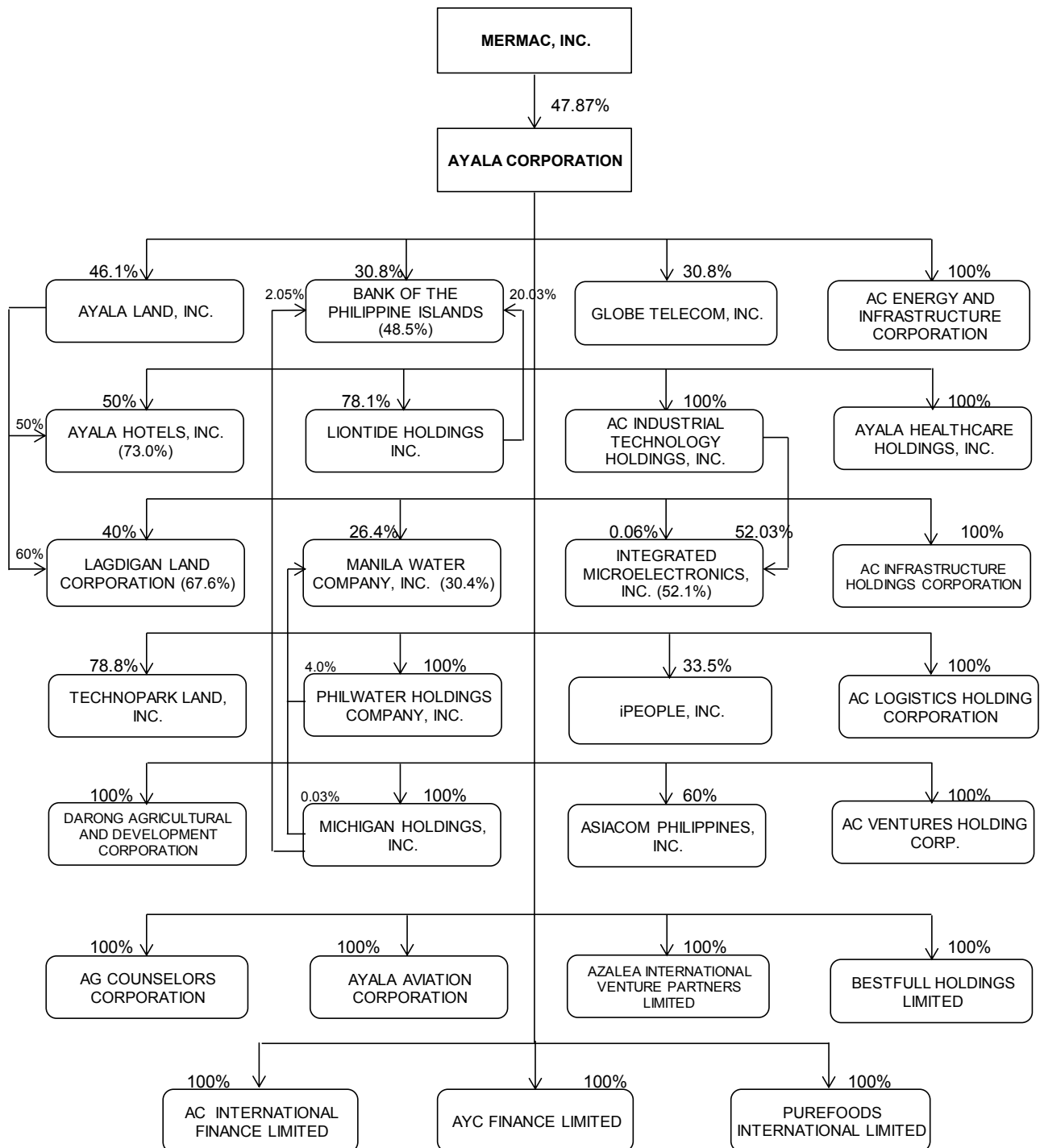
Reconciliation of Beginning Retained earnings to Retained earnings available for dividend follows:

	December 2021	December 2020
	In Thousands	
Unappropriated Retained Earnings, beginning	₱ 52,485,166	₱ 52,272,092
Less: Treasury shares	(6,605,153)	(5,737,896)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year	₱ 45,880,013	₱ 46,534,196

AYALA CORPORATION AND SUBSIDIARIES

Schedule I – Map of Relationships of the Companies within the Group

As of December 31, 2021



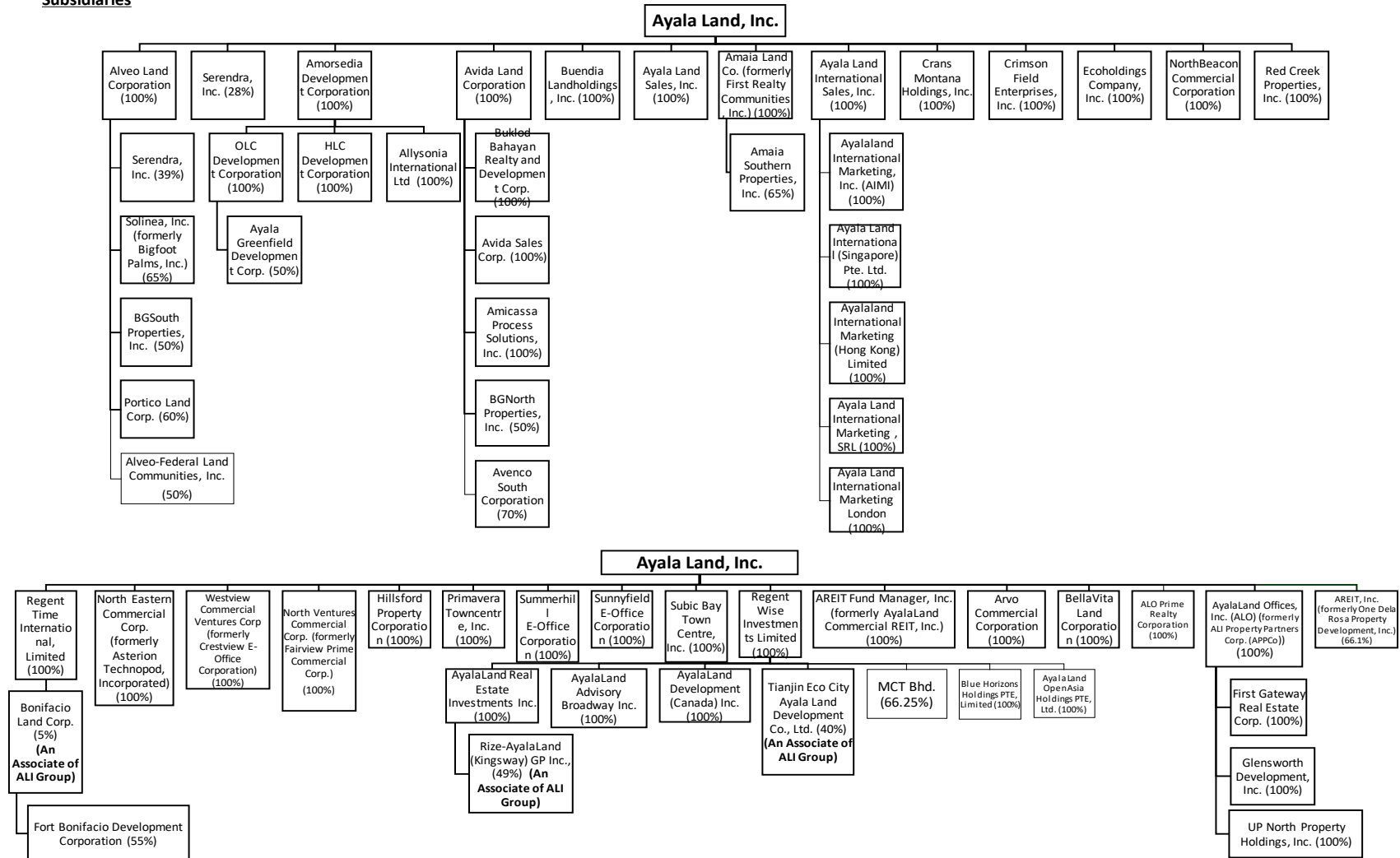
Legend:

% of ownership appearing outside the box - direct % of economic ownership

% of ownership appearing inside the box - effective % of economic ownership

AYALA CORPORATION AND SUBSIDIARIES
Schedule I – Map of Relationships of the Companies within the Group
As of December 31, 2021

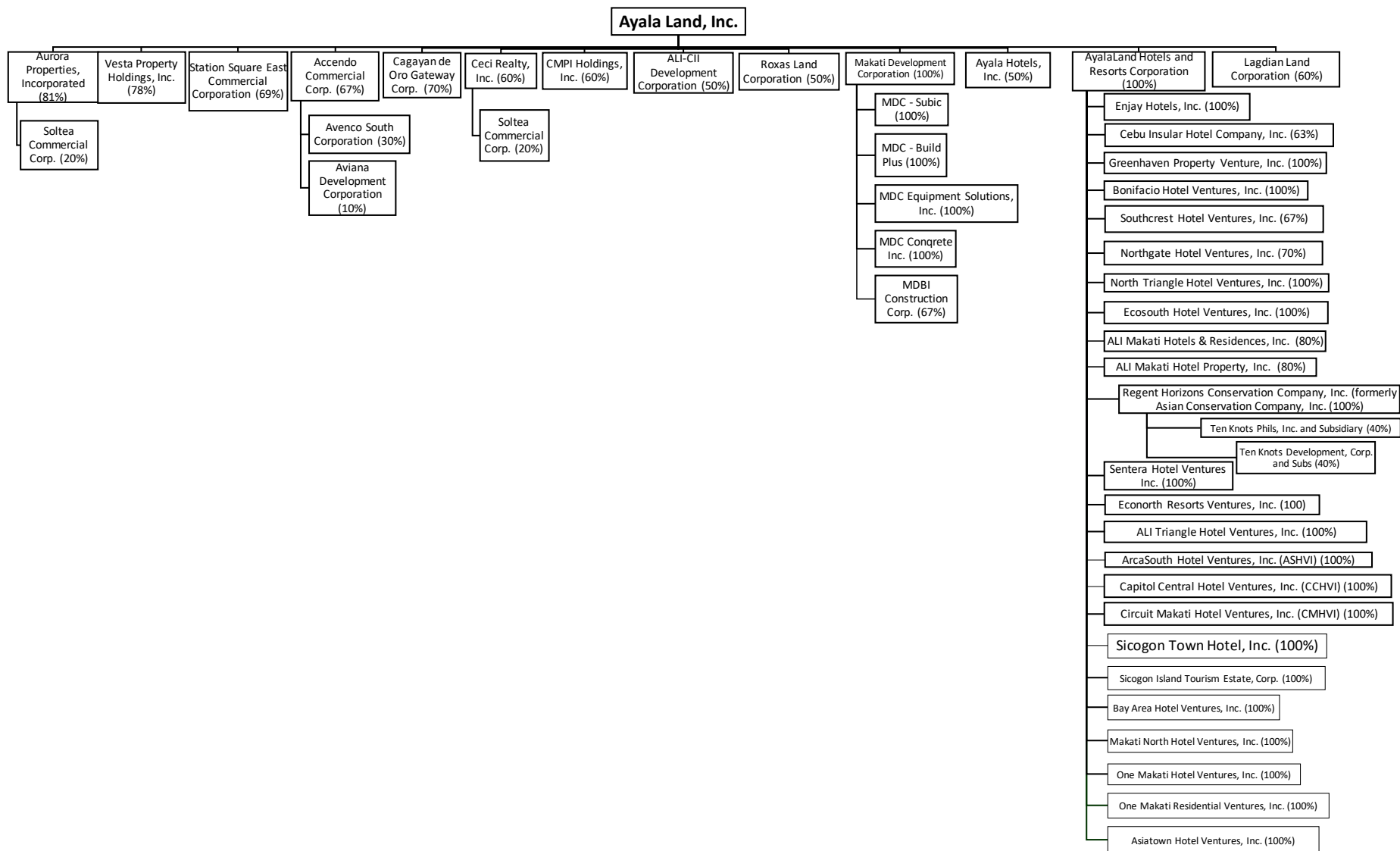
Subsidiaries



AYALA CORPORATION AND SUBSIDIARIES

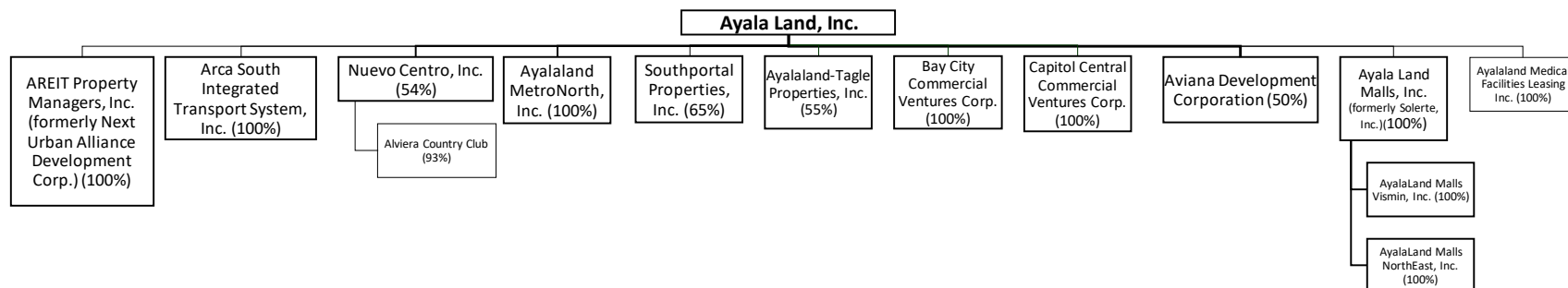
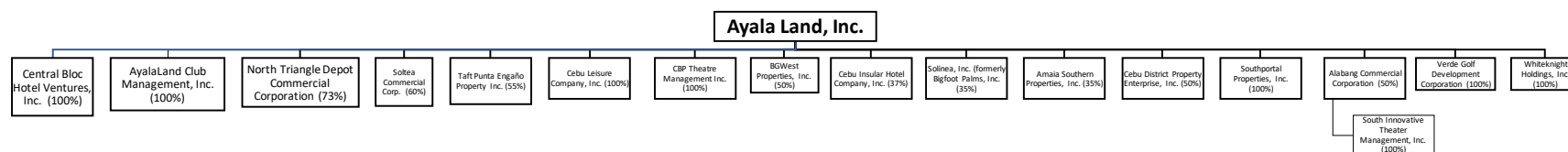
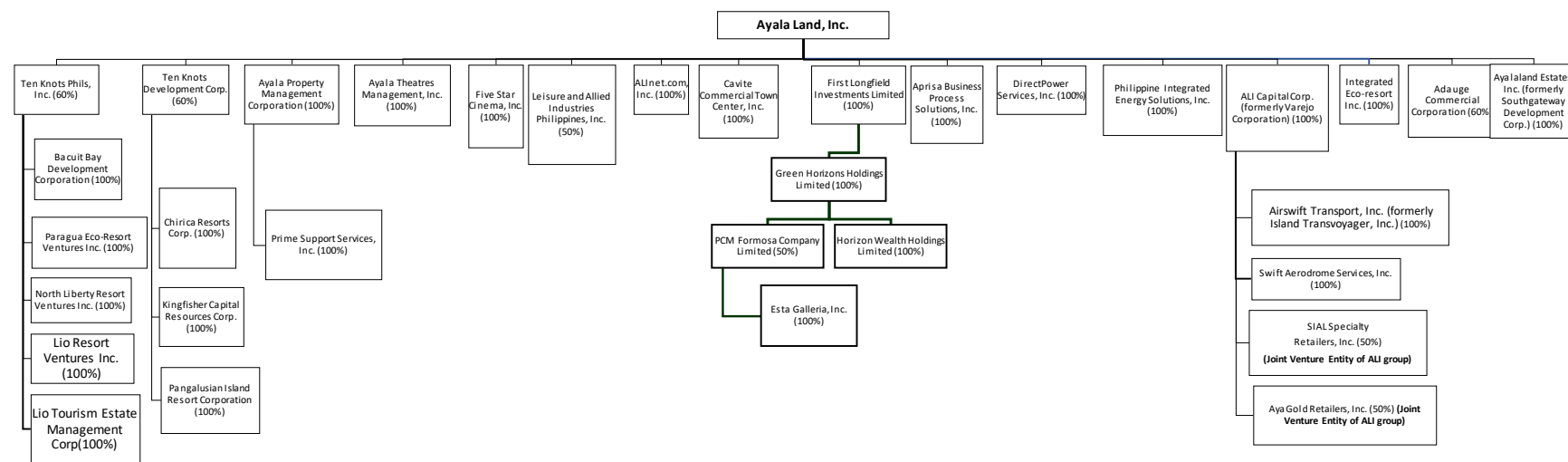
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As of December 31, 2021

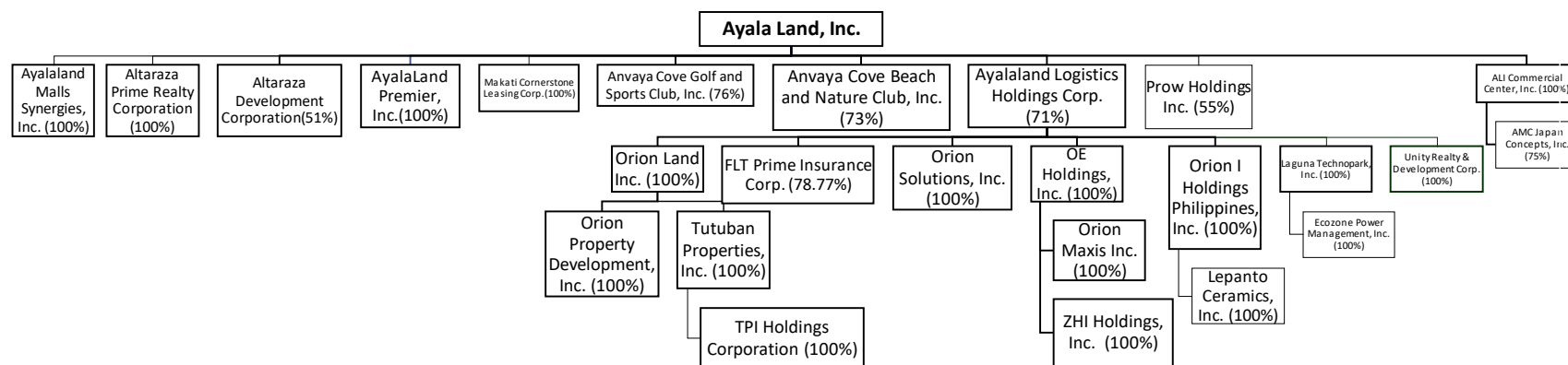


AYALA CORPORATION AND SUBSIDIARIES

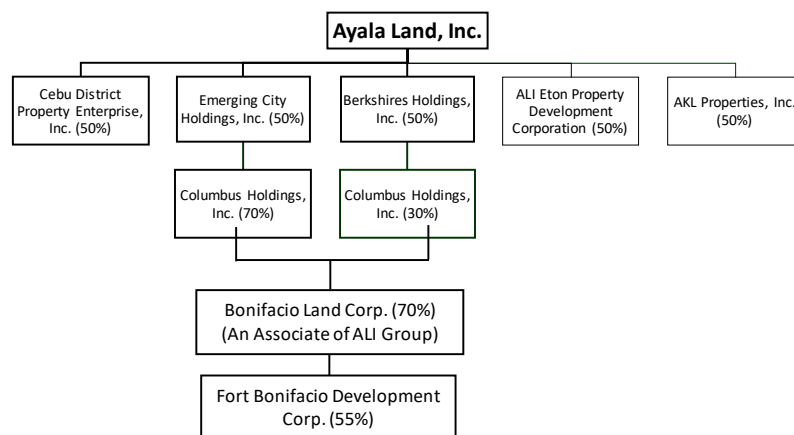
Schedule I – Map of Relationships of the Companies within the Group As of December 31, 2021



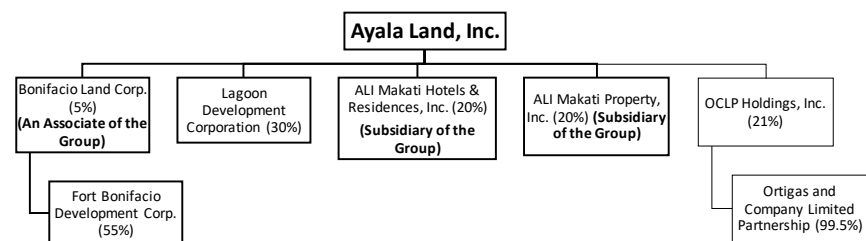
AYALA CORPORATION AND SUBSIDIARIES
Schedule I – Map of Relationships of the Companies within the Group
As of December 31, 2021



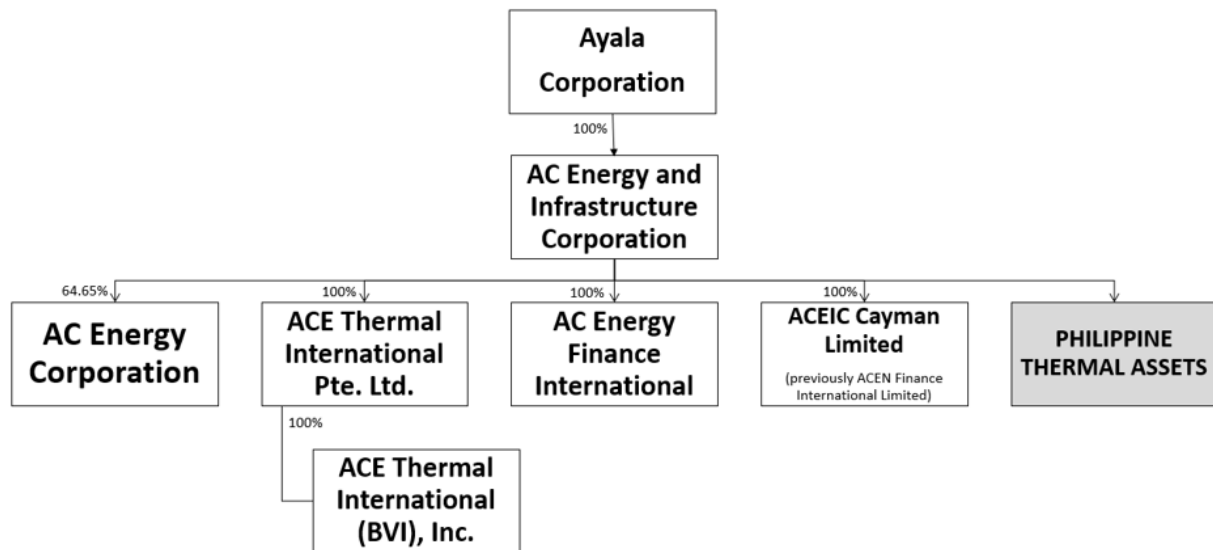
Direct Investments in Joint Ventures



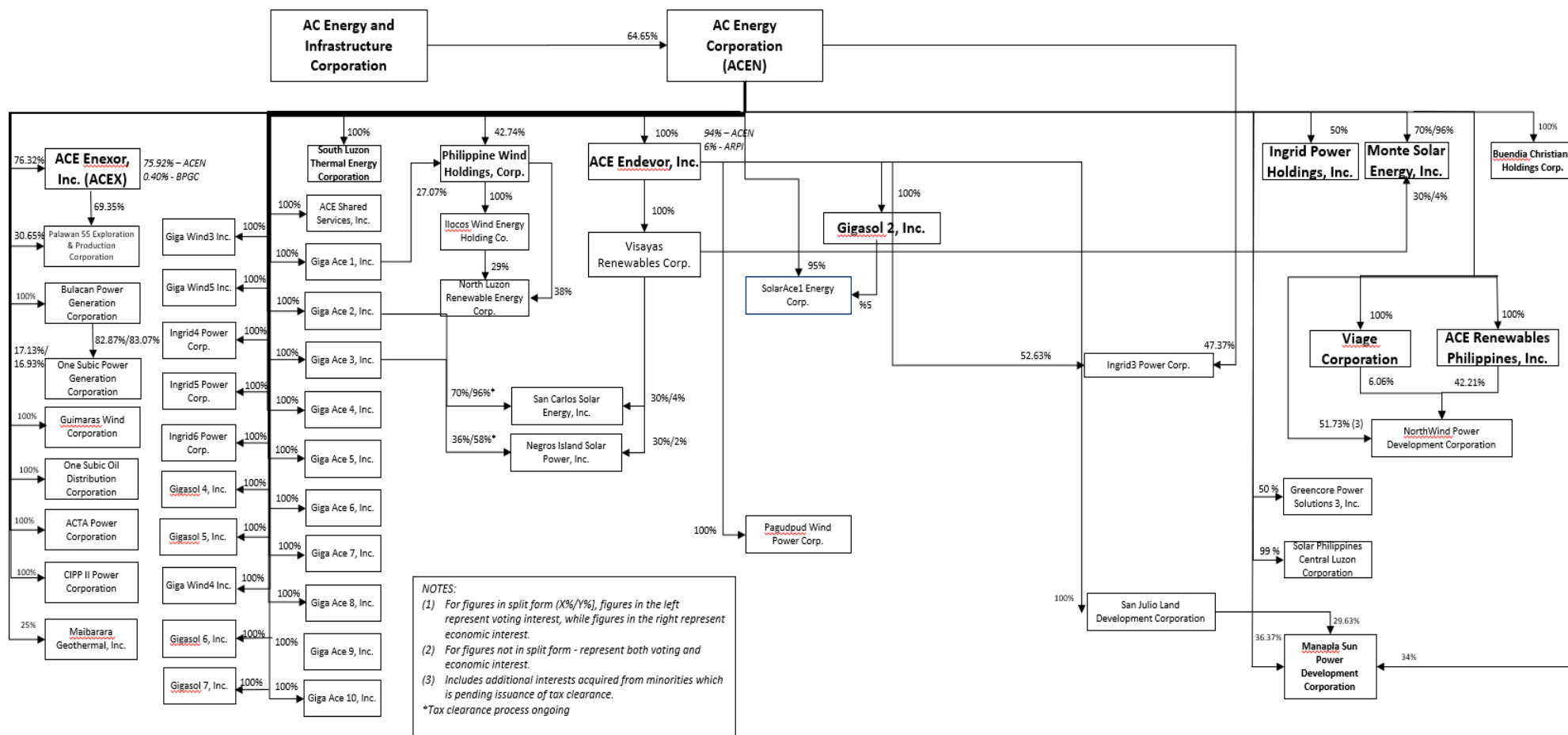
Direct Investments in Associates



AYALA CORPORATION AND SUBSIDIARIES
Schedule I – Map of Relationships of the Companies within the Group
As of December 31, 2021



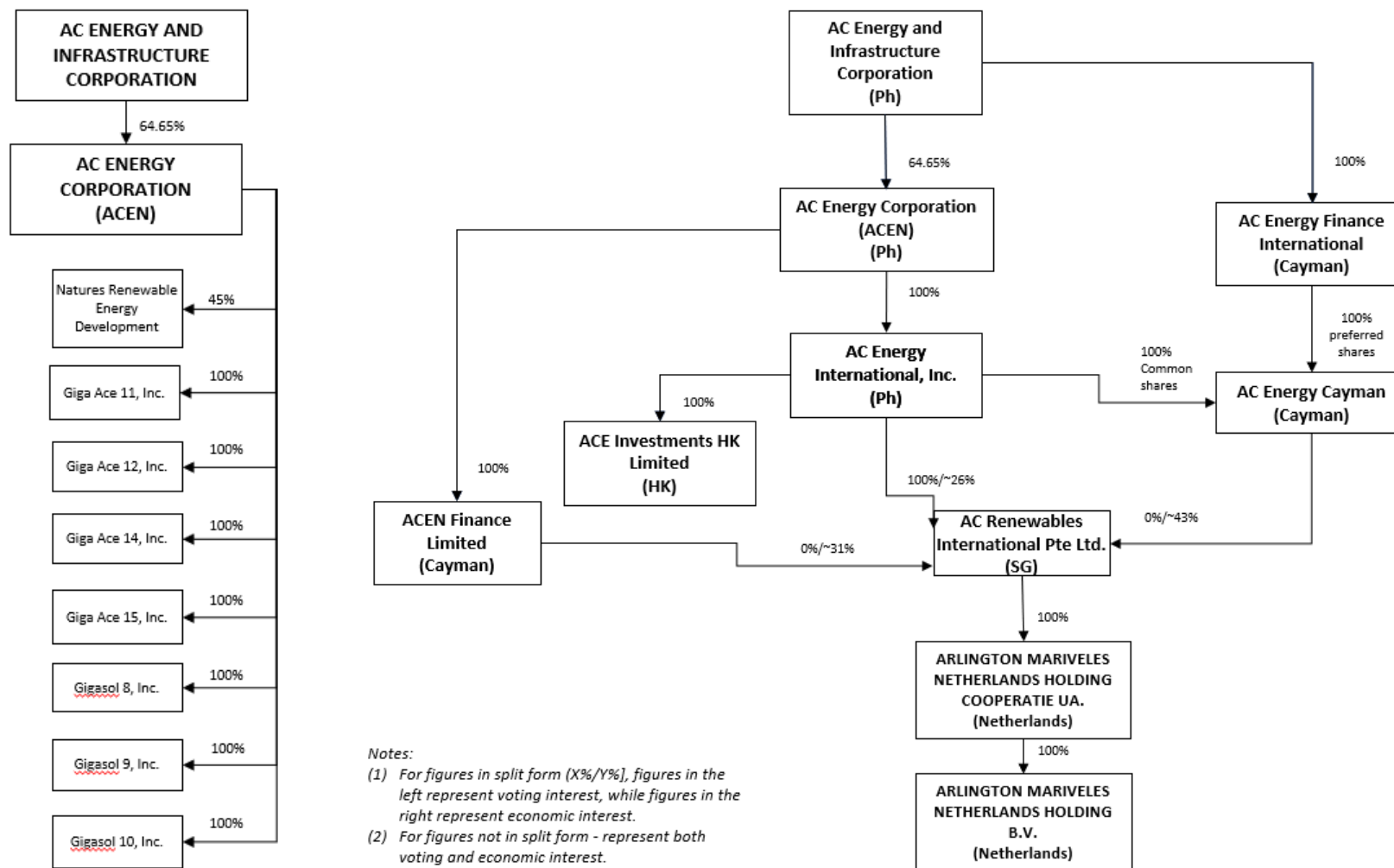
AYALA CORPORATION AND SUBSIDIARIES
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As of December 31, 2021



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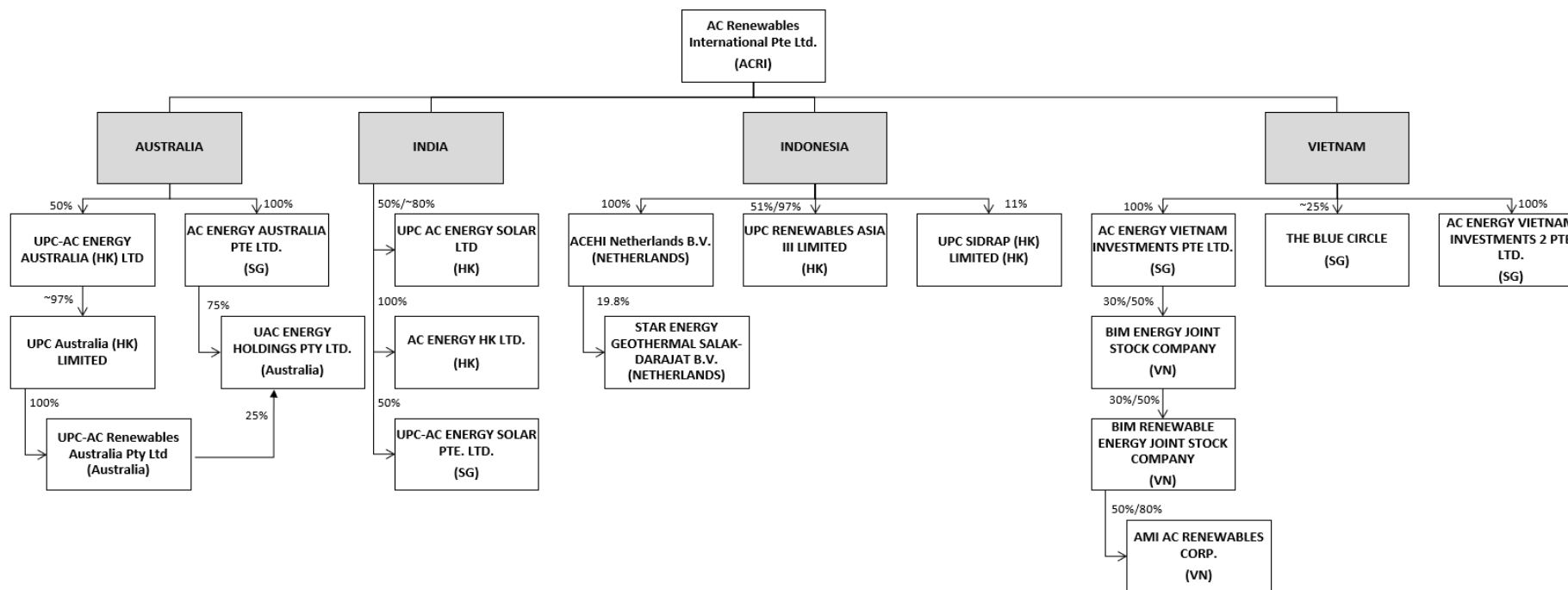
As of December 31, 2021



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Schedule I – Map of Relationships of the Companies within the Group

As of December 31, 2021

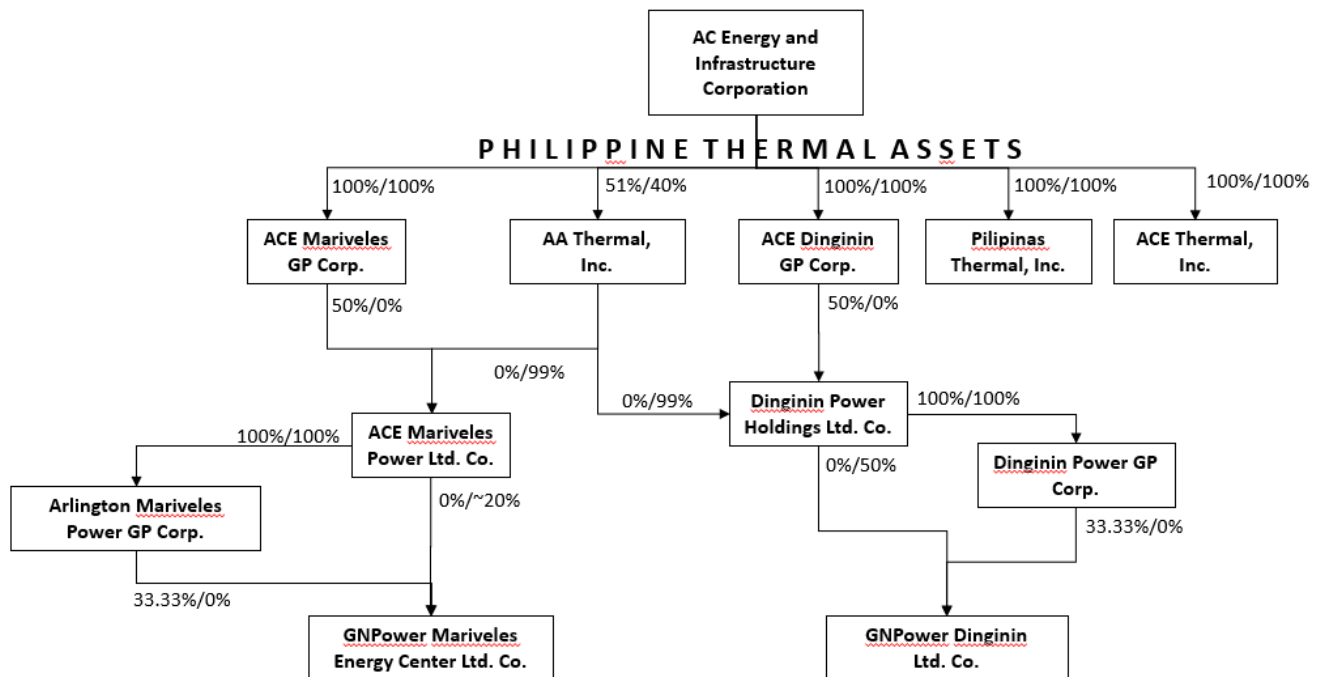


Notes:

(1) For figures in split form (X%/Y%), figures in the left represent voting interest, while figures in the right represent economic interest.

(2) For figures not in split form - represent both voting and economic interest.

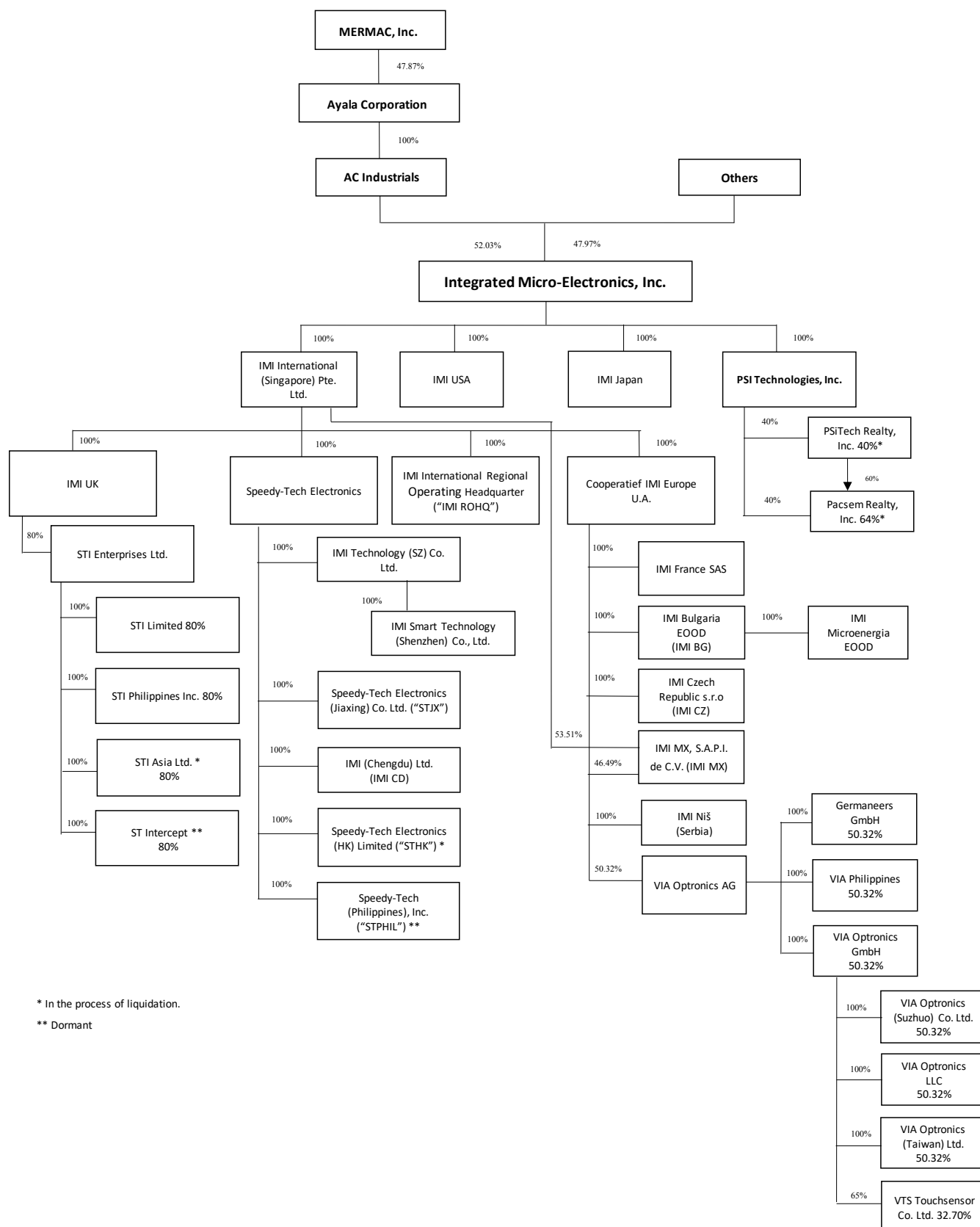
AYALA CORPORATION AND SUBSIDIARIES
Schedule I – Map of Relationships of the Companies within the Group
As of December 31, 2021



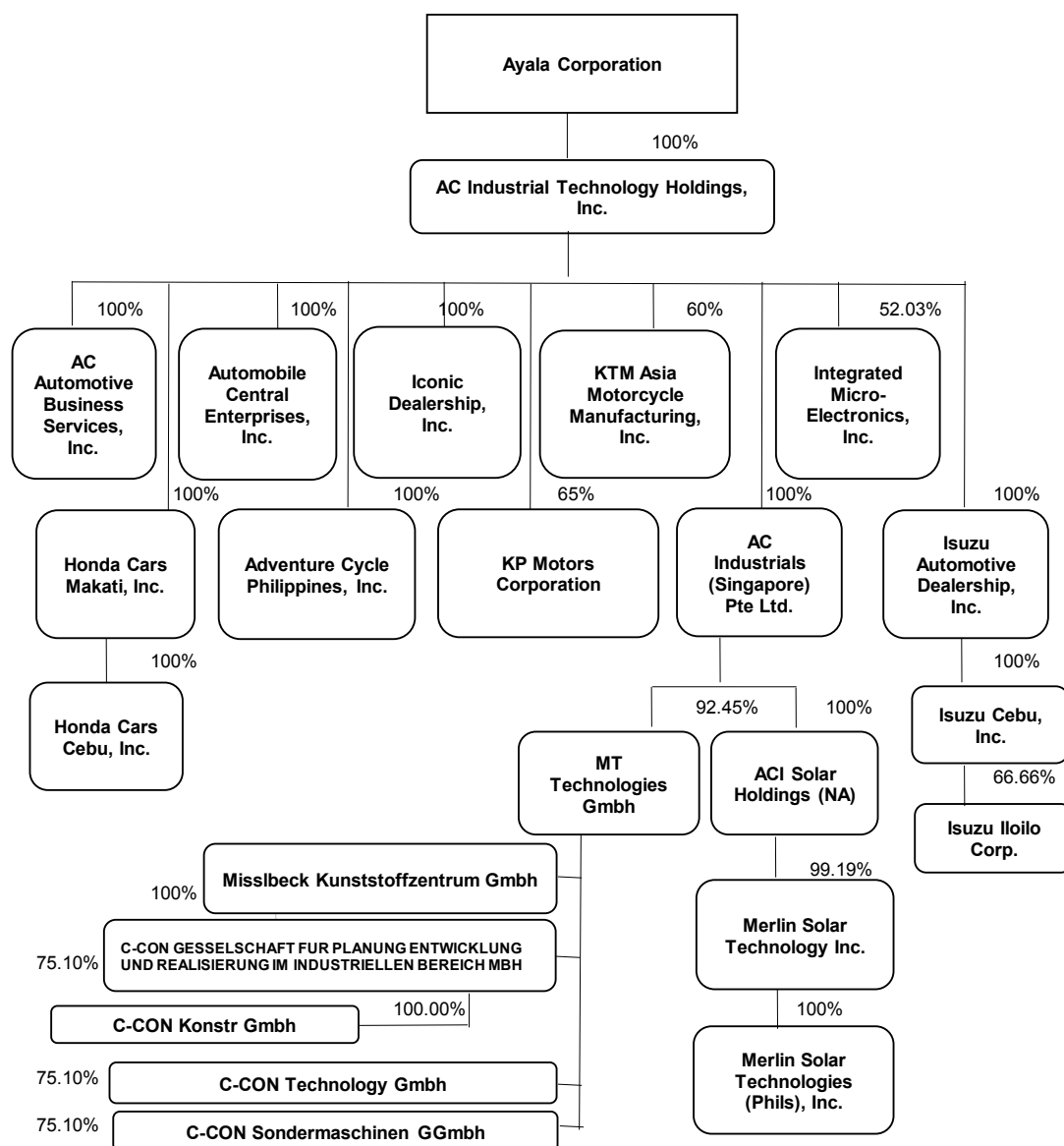
Notes:

- (1) For figures in split form (X%/Y%), figures in the left represent voting interest, while figures in the right represent economic interest.
 (2) For figures not in split form - represent both voting and economic interest.

AYALA CORPORATION AND SUBSIDIARIES
Schedule I – Map of Relationships of the Companies within the Group
As of December 31, 2021



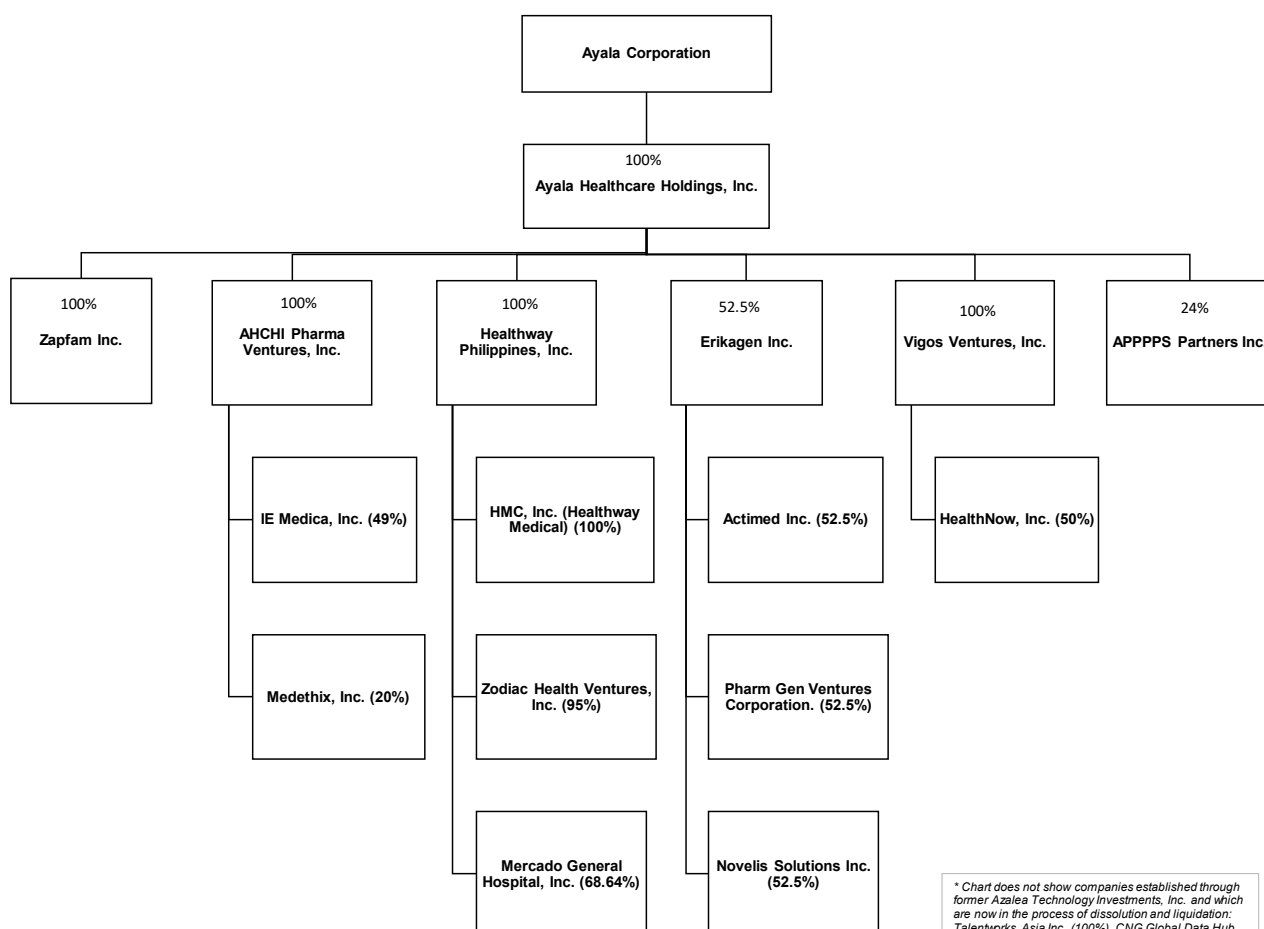
AYALA CORPORATION AND SUBSIDIARIES
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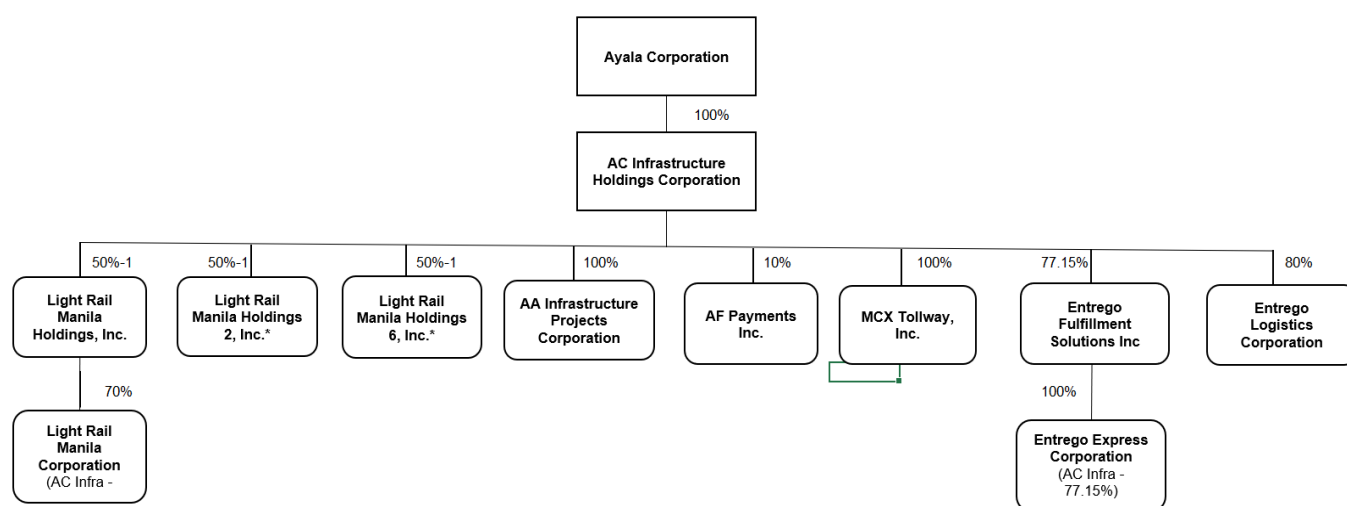
Legend:

% of ownership appearing outside the box - direct economic % of ownership
 % of ownership appearing inside the box - effective % of economic ownership

AYALA CORPORATION AND SUBSIDIARIES
Schedule I – Map of Relationships of the Companies within the Group
As of December 31, 2021



* Chart does not show companies established through former Azalea Technology Investments, Inc. and which are now in the process of dissolution and liquidation: Talentworks Asia Inc. (100%), CNG Global Data Hub (18.03%), Wireless Internet Solutions, Inc. (100%) and Ayala Port, Inc. (50%).

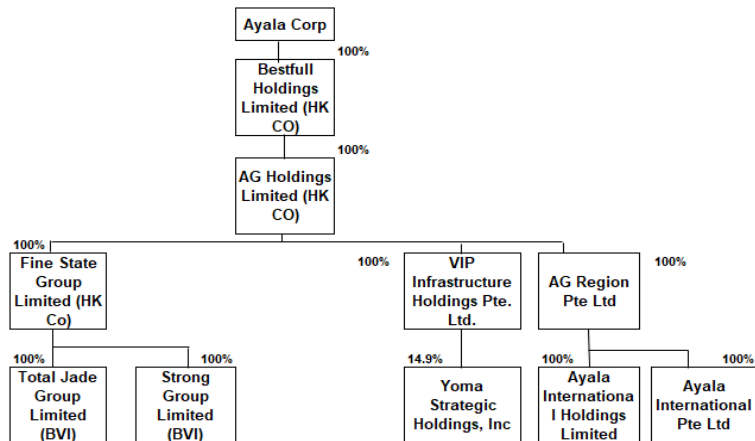
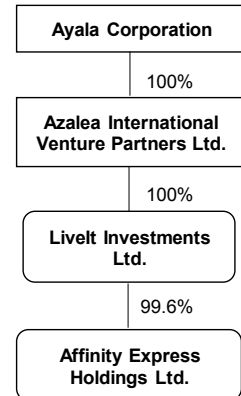
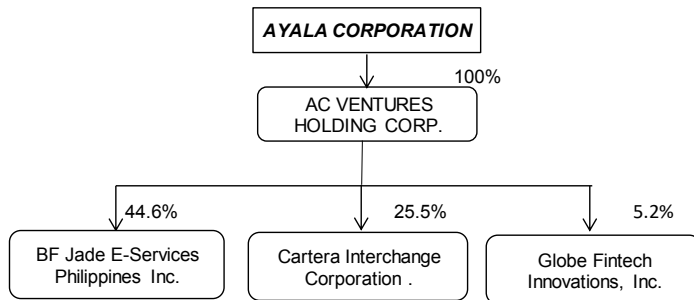


*The corporate terms of Light Rail Manila Holdings 2, Inc. and Light Rail Manila Holdings 6, Inc. ended last September 30, 2021.

Legend:
 % of ownership appearing outside the box - direct economic % of ownership
 % of ownership appearing inside the box - effective % of economic ownership

AYALA CORPORATION AND SUBSIDIARIES

Schedule I – Map of Relationships of the Companies within the Group As of December 31, 2021



AYALA CORPORATION AND SUBSIDIARIES
Schedule J – Financial Ratios
As of December 31, 2021

Ratio	Formula	December 2021 (In thousands)	December 2020	December 2021	December 2020
Liquidity Analysis Ratios					
Liquidity Ratio*	Cash & Cash equivalents + Short-term investments	91,414,847	89,476,366	0.34	0.22
	Current Liabilities	268,094,760	400,529,685		
	Cash & Cash equivalents	90,483,909	88,653,956		
	Short-term investments	930,938	822,410		
	Total	91,414,847	89,476,366		
Current Ratio*	Current Assets	497,272,337	657,893,956	1.85	1.64
	Current Liabilities	268,094,760	400,529,685		
Quick Ratio*	Quick assets	298,551,935	284,383,300	1.11	0.71
	Current Liabilities	268,094,760	400,529,685		
	Current assets	497,272,337	657,893,956		
	Inventories	(166,406,837)	(160,871,941)		
	Assets under PFRS 5	(12,433,522)	(196,136,570)		
	Prepayments	(19,880,043)	(16,502,145)		
	Quick assets	298,551,935	284,383,300		
Solvency Ratio*	Total Assets	1,348,985,940	1,405,757,992	1.72	1.63
	Total Liabilities	783,673,172	863,335,881		
Financial Leverage Ratios					
Assets- to-Equity Ratio*	Total Assets	1,348,985,940	1,405,757,992	2.39	2.59
	Total Stockholders' Equity	565,312,768	542,422,111		
Interest Rate Coverage Ratio**	Earnings Before Interest and Taxes (EBIT)	69,851,843	52,726,710	2.58	1.88
	Interest and other financing charges	27,089,924	28,014,198		
	Income after income tax from continuing operations	37,850,224	19,473,332		
	Provision for income tax	4,911,695	5,239,180		
	Interest and other financing charges	27,089,924	28,014,198		
	EBIT	69,851,843	52,726,710		
	Debt Ratio*	Short-term debt + Long-term debt	478,516,574		
Total Assets		1,348,985,940	1,405,757,992		
Short-term debt		34,712,039	32,439,507		
Long-term debt (current & noncurrent)		443,804,535	409,314,750		
Total debt		478,516,574	441,754,257		
Debt-to-Equity Ratio*	Short-term debt + Long-term debt	478,516,574	441,754,257	84.6%	81.4%
	Total Stockholders' Equity	565,312,768	542,422,111		
Net Debt-to-Equity Ratio*	Net debt	386,963,926	348,194,639	68.5%	64.2%
	Total Stockholders' Equity	565,312,768	542,422,111		
	Short-term debt	34,712,039	32,439,507		
	Long-term debt (current & noncurrent)	443,804,535	409,314,750		
	Total debt	478,516,574	441,754,257		
	Less:				
	Cash and cash equivalents	90,483,909	88,653,956		
	Short-term investments	930,938	822,410		
	Restricted cash	137,801	4,083,252		
	Net debt	386,963,926	348,194,639		
Profitability Ratios					
Gross Profit Margin**	Sale of goods & rendering of services - Cost of sales & services	49,697,159	49,441,086	0.22	0.26
	Sale of goods & rendering of services	225,591,926	193,622,435		
	Sale of goods & rendering of services	225,591,926	193,622,435		
	Cost of sales & services	(175,894,767)	(144,181,349)		
	Gross profit	49,697,159	49,441,086		

Ratio	Formula	December 2021 (In thousands)	December 2020	December 2021	December 2020
Net Profit Margin**	Net Profit	19,395,673	17,114,957	0.09	0.09
	Sale of goods & rendering of services	225,591,926	193,622,435		
	Gross profit	49,697,159	49,441,086		
	General and administrative expenses	(30,301,486)	(32,326,129)		
	Net Profit	19,395,673	17,114,957		
Return on Equity**	Net Income to Owners of the Parent	27,774,183	17,141,714	4.9%	3.2%
	Total Stockholders' Equity	565,312,768	542,422,111		
Return on Common Equity***	Net Income to Owners of the Parent (Common)	26,514,427	15,881,958	8.1%	5.1%
	Common Equity Attributable to Owners of the Parent (Average)	326,058,994	309,096,335		
	Net income to owners of the Parent	27,774,183	17,141,714		
	Less: Dividends on preferred stock	(1,259,756)	(1,259,756)		
	NIAT to Common	26,514,427	15,881,958		
		December 2021	December 2020		
	Equity attributable to owners of the parent	362,731,661	339,179,770		
	Less:				
	Preferred Shares - A	1,200,000	1,200,000		
	Preferred Shares - B	5,800,000	5,800,000		
	Voting Preferred Shares	200,000	200,000		
	Additional paid-in capital - preferred shares	19,696,722	19,696,722		
	Treasury shares - preferred shares	(2,000,000)	(2,000,000)		
		24,896,722	24,896,722		
	Common equity attributable to owners of the Parent	337,834,939	314,283,048		
	Average common equity attributable to owners of the Parent	326,058,994			
		December 2020	December 2019		
	Equity attributable to owners of the parent	339,179,770	328,807,265		
	Less:				
	Preferred Shares - A	1,200,000	1,200,000		
	Preferred Shares - B	5,800,000	5,800,000		
	Voting Preferred Shares	200,000	200,000		
	Additional paid-in capital - preferred shares	19,696,722	19,697,642		
	Treasury shares - preferred shares	(2,000,000)	(2,000,000)		
		24,896,722	24,897,642		
	Common equity attributable to owners of the Parent	314,283,048	303,909,623		
	Average common equity attributable to owners of the Parent	309,096,335			
Return on Assets**	Net Income	36,036,191	29,270,343	2.7%	2.1%
	Total Assets	1,348,985,940	1,405,757,992		
Price/Earnings Ratio**	Price Per Share	831.00	827.00	19.52	32.64
	Earnings Per Common Share (Basic)	42.58	25.33		
Other Ratio					
Book Value per Share*	Common Equity Attributable to Owners of the Parent	337,834,939	314,283,048	545.16	500.92
	Outstanding Common Shares	619,704	627,415		

* Based on "As at" December 31, 2021 and 2020 balances.

** Includes both "As at" and "Period ended" December 31, 2021 and 2020 balances.

*** Includes both "As at" and "Period ended" December 31, 2021, 2020 and 2019 balances.