



17 March 2022

Philippine Stock Exchange, Inc.

6th Floor, PSE Tower, 28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

To **Janet A. Encarnacion**
Head, Disclosure Department

Philippine Dealing and Exchange Corporation

29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City

To **Atty. Marie Rose M. Magallen-Lirio**
Head, Issuer Compliance and Disclosures Department

Securities and Exchange Commission

PICC Complex, Roxas Boulevard, Pasay City

To **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Market Regulation Department

Re **Comprehensive Corporate Disclosure on Issuance of Shares**
AREIT, Inc.

Dear Mesdames and Gentlemen,

In compliance with Article V, Section 4 of the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange, we hereby submit the Comprehensive Corporate Disclosure on the property-for-share swap of AREIT, Inc. (AREIT) with Ayala Land, Inc. (ALI) as approved by the AREIT Board of Directors in a special meeting last 10 March 2022.

The transaction involves issuing 252,136,383 AREIT primary common shares to ALI for six office buildings located in Cebu with an aggregate value of P11,257,889,535.91, as validated by a third-party fairness opinion.

Please see the attached information for your reference.

Thank you.

A handwritten signature in black ink, appearing to read 'mfamy'.

MA. TERESA R. FAMY
CFO, Treasurer, and Chief Compliance Officer



AREIT, Inc.
Comprehensive Corporate Disclosure on Issuance of Shares

On the issuance of 252,136,383 AREIT primary common shares (the “Shares”) to Ayala Land, Inc.
at an issue price of Php44.65 per share
in exchange for six office buildings located in Cebu with an aggregate value of Php11,257,889,535.91,
as validated by a third-party fairness opinion.

I. Duly Executed Agreements Relevant to the Proposed Transaction

Definitive agreements on the transaction (as defined below) will be duly disclosed to the Exchange and the Securities and Exchange Commission (“SEC”) upon execution. The Company expects to execute the definitive agreements for the transaction by May 2022.

II. The Proposed Transaction and Timetable for Implementation and Related Regulatory Requirements

The Company and ALI will execute a property-for-shares swap transaction whereby the Company will issue the Shares to ALI in exchange for the following identified properties valued at Php11,257,889,535.91, at an issue price of Php44.65 per share (the “Transaction”):

Table 1 – Properties Subject of Property-For-Share Swap

Property	Registered Owner	Fair Market Value (in Php)
eBloc 1	ALI	2,120,348,829.91
eBloc 2	ALI	2,659,373,160.10
eBloc 3	ALI	1,384,962,336.23
eBloc 4	ALI	1,748,801,500.40
ACC Tower	ALI	2,185,801,355.37
Tech Tower	ALI	1,158,602,353.92
Total		11,257,889,535.91
(collectively, the “ Properties ”)		

The Properties will be used as ALI’s payment for the Shares. The Transaction will be implemented as a tax-free exchange, subject to a fairness opinion on the valuation of the Shares and of the Properties prepared and issued by Isla Lipana & Co. (“Isla Lipana”), an independent fairness opinion provider accredited by both the SEC and the Philippine Stock Exchange (“PSE”). The Properties have been evaluated by AREIT Fund Managers, Inc. (“AFMI”) and have been appraised by the Company’s property appraiser, Asian Appraisal Company, Inc. (“Asian Appraisal”). The Fairness Opinion issued by Isla Lipana and the Valuation Reports issued by Asian Appraisal are collectively attached hereto as **Annexes A** and **B**, respectively.

The infusion of the Properties into AREIT is in line with the objective of AREIT and its Sponsor, ALI, to grow the asset base of AREIT to maximize value accretion for AREIT’s shareholders.

The Transaction is subject to the approval of AREIT stockholders at the Company’s annual meeting to be held on 21 April 2022.

AREIT will apply for the additional listing of the shares resulting from the Transaction. The majority vote representing the outstanding shares held by the minority stockholders present and represented in the Special Stockholders’ Meeting on 21 April 2022 shall likewise be obtained for the issuance of the waiver of the requirement to conduct



rights or a public offering of the shares to be subscribed by ALI, as part of the requirements of the PSE in connection with the additional listing of shares with the PSE.

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

“(2) Exception. - * * *

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

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

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

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

Table 2 – Indicative Timetable for Implementation

Annual and Special Stockholders’ Meetings	21 April 2022
Deed of Exchange Execution	May 2022
SEC Approval (Issuance of Shares and Transaction)	Q2 to Q3 2022
Issuance of CAR	Q4 2022
PSE Listing of Additional Shares	Q1 2023

III. The Rationale of the Benefits Expected to Accrue to the Listed Company as a Result of the Proposed Transaction

As the first Philippine Real Estate Investment Trust (“REIT”) successfully listed amidst the COVID-19 pandemic, AREIT aspires to grow its leasing portfolio with prime and stable assets. Since its IPO, AREIT delivered on its growth plan, resulting in a 94% total shareholder return from dividend yield and price appreciation, based on the closing price of P49.30 on 28 February 2021.

AREIT started with 153 thousand square meters equivalent to Php30 billion of Assets Under Management (“AUM”) in 2020. By December 2021, this has grown to 549 thousand square meters, equivalent to Php53 billion in AUM.



With this new asset infusion, AREIT will grow further and reach 673 thousand square meters or Php64 billion in AUM in 2022 – a 213% increase since AREIT went public. This growth exceeds its target to double in size within two years from its IPO.

The properties are expected to contribute further to its operating cashflows, boosting dividends per share. Specific to this new infusion, at an issue price of Php44.65 per share, the assets for infusion have a projected yield of 6%. At the price of P44.65, AREIT's 2021 yield is approximately 4.0% from its existing assets. Hence, the asset-for-share swap would be accretive and potentially increase the overall yield to approximately 5% after the new assets are infused. Coupled with rental escalations and asset growth, total shareholder return is projected at 10%. Estimated yields and total shareholder return are subject to actual operating performance and market conditions.

The Properties transferred to AREIT, including the gross leasable area, location, occupancy, and average rent, are attached herewith as **Annex C**.

IV. Aggregate Value of the Consideration and Terms of Any Payment Arrangement

The Properties are valued at approximately Php11.26 Billion by Isla Lipana and the Appraisal Reports issued by Asian Appraisal. The transaction price was set at Php44.65 per share within the range of values provided in the Fairness Opinion.

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

Subject to regulatory approvals (including BIR's CAR issuance allowing the transfer of properties to AREIT as a tax-free exchange transaction under the Tax Code, as amended, and SEC's approval of the original issuance of shares), the Transaction will close upon the listing of the Shares with the PSE.

V. Consideration/Issue Value

AREIT will issue the shares to ALI at an issue price of Php44.65 per share which is based on AFMI's valuation, which AREIT believes is fair. The issue price of Php44.65 per share is within the range of fair values based on the fairness opinion issued by Isla Lipana on 9 March 2022.

VI. Application of Proceeds

The Shares will be issued to ALI in exchange for the Properties. AREIT expects to execute the Deed of Exchange within May 2022 and file the application for the approval of the issuance of original shares and the Transaction with the SEC in the same month. The application for CAR with the BIR is expected to be filed within Q4 2022.



VII. Identity of Beneficial Owners of the Shares Subscribed

Table 3 – Identity of Beneficial Owners of the Shares Subscribed

Beneficial Owners/ Subscribers	Nature of Business	Nature of any material relationship with the Issuer and the parties to the transaction, their directors/officers or any of their affiliates
Ayala Land, Inc.	ALI is a public corporation organized under the laws of the Philippines. ALI is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. ALI holds a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses.	<p>ALI is the Sponsor of AREIT and, as of the date hereof, directly and indirectly owns 66.1086% of AREIT shares, as follows:</p> <p>ALI – direct ownership of 801,641,623 shares equivalent to 43.1271%</p> <p>ALO – indirect ownership of 96,292,435 shares equivalent to 6.3815% (ALO is 100% owned by ALI)</p> <p>WCVF – indirect ownership of 37,443,313 shares equivalent to 2.4814% (WCVF is 100% owned by ALI)</p> <p>GDI – indirect ownership of 62,146,531 shares equivalent to 4.1186% (GDI is 100% owned by ALO)</p>

VIII. Additional Information on Ayala Land, Inc.

ALI was registered with the SEC on 20 June 1988. It is the largest property developer in the country with a solid track record in developing large-scale, integrated, mixed-use, and sustainable estates that are now thriving economic centers.

1. Articles of Incorporation

The Articles of Incorporation of ALI is attached hereto as **Annex D**.

The primary purpose of ALI, as stated in its Amended Articles of Incorporation dated 22 August 2014, is:

“To deal and engage in land or real estate business in all its branches and ramifications, to hold, develop, manage, administer, sell, convey, encumber,

purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, for profit and advantage, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved, with or to such persons and entities and under such terms and conditions as may be permitted by law; to acquire, purchase, hold, manage, develop, and sell subdivision lots, with or without buildings or improvements, for such other consideration and in such manner or form as the Corporation may determine or as the law permits; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Corporation or of other persons, to engage or act as real estate broker, on commission or for such fees as may be proper or legal and to exercise or undertake such powers and purposes as may be required and necessarily implied from the purposes herein mentioned.”

2. Major Projects and Investments

ALI is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. ALI has successfully developed properties in and transformed the neighborhoods of the Makati CBD, Ayala Alabang, Cebu Park District, and Bonifacio Global City. With 12,192 hectares in its land bank, 29 developed estates, and presence in 57 growth centers across the country, ALI holds a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. ALI has ample experience in the real estate industry in the Philippines, focusing its business on strategic business lines, including property development, commercial leasing, hotels and resorts, and real-estate-adjacent services.

ALI’s property development activities concern the sale of high-end residential lots and units (including leisure community developments), office spaces, commercial and industrial lots, middle-income residential lots and units, affordable lot units and house and lot packages, economic housing units and house and lot packages, and socialized housing packages, and the lease of residential units and marketing of residential developments. These products are developed and sold through ALI’s subsidiaries under a variety of brands, including AyalaLand Premier for high-end village lots and condominium units; Alveo Land Corp. for upscale village lots, condominium and office units; Avida Land Corp. for middle-income village lots, house and lot packages, condominium and office units; Amaia Land Corp. for economic house and lot packages; and BellaVita Land Corp. for the socialized house and lot packages.

ALI’s experience with commercial leasing is broad and encompasses the development and leasing of office buildings, factory buildings, shopping centers, and hotels and resorts. This experience also includes the operation of movie theaters, food courts, entertainment facilities, and carparks in developed shopping centers; management and operations of malls which are co-owned with partners; and operation and management of branded and owner-operated hotels.

ALI also offers real estate related services such as construction, for land development and construction of ALI and third-party projects, and property management, for properties of ALI and third-party projects. Such property management activities also include operation of water and sewage treatment facilities, distribution of district cooling systems, and bulk purchase and supply of electricity for energy solutions. Construction and property management services are led by ALI’s subsidiaries, Makati Development Corporation and Ayala Property Management Corporation, respectively.



3. *Capital and Organizational Structure*

Attached as **Annexes E** and **F** are the latest General Information Sheet and Organizational Structure of ALI, respectively.

4. *Latest Audited Financial Statements*

The audited financial statements of ALI for the years 2019, 2020, and 2021 are attached as **Annexes G, H, and I**, respectively.

5. *List of Subsidiaries and Affiliates*

Please refer to Annex F for the complete list of companies under the ALI Group.

6. *Board of Directors and Officers*

Directors:

- a. Fernando Zobel de Ayala – Chairman
- b. Jaime Augusto Zobel de Ayala – Vice Chairman
- c. Bernard Vincent O. Dy – Director, President and CEO
- d. Rizalina G. Mantaring – Lead Independent Director
- e. Rex Ma. A. Mendoza – Independent Director
- f. Sherisa P. Nuesa – Independent Director
- g. Cesar V. Purisima – Independent Director
- h. Antonino T. Aquino – Director
- i. Arturo G. Corpuz – Director

Officers:

- a. Bernard Vincent O. Dy – President and Chief Executive Officer
- b. Augusto D. Bengzon – Senior Vice President, CFO, Treasurer, and Chief Compliance Officer
- c. Dante M. Abando – Senior Vice President
- d. Anna Ma. Margarita B. Dy – Senior Vice President
- e. Jose Emmanuel H. Jalandoni – Senior Vice President
- f. Laurent P. Lamasuta – Senior Vice President
- g. Robert S. Lao – Senior Vice President
- h. Eliezer C. Tanlapco – Group Head of Human Resources and Public Affairs
- i. Amelia Ann T. Alipao – Chief Information Officer and Data Protection Officer
- j. Annabeth R. Bernardo – Chief Audit Executive
- k. June Vee D. Monteclaro-Navarro – Chief Legal Counsel and Assistant Corporate Secretary
- l. Solomon M. Hermosura – Group General Counsel and Corporate Secretary

IX. Statement of Active Business Pursuits and Objectives

The Company is the first Philippine REIT that successfully became publicly listed amidst the COVID-19 pandemic. Upon listing in August 2020, the Company's property portfolio consists of three (3) commercial buildings in Metro Manila:

Table 4 – AREIT’s Property Portfolio Upon Listing

	Solaris One	Ayala North Exchange	McKinley Exchange
Year Completed	2008	2019	2014
Description	Grade A, PEZA-Accredited 24-storey commercial building	Grade A, PEZA-accredited, mixed-use development	Grade A, PEZA-accredited, mixed-use development
Location	130 Dela Rosa, Legaspi Village, Makati City	6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City	McKinley Road corner EDSA, Makati City
GLA	46,768 sq.m.	95,300 sq.m.	10,687 sq.m.
Occupancy Rate	100%	100%	97%
Right over Building	Owned	Owned	Leased
Right over Land	Leased	Leased	Leased
Land Lease Expiry	2048	2058	2054

On 15 September 2020, AREIT purchased from ALO Prime Realty Corp., a wholly-owned subsidiary of ALI, the building known as Teleperformance Cebu, in accordance with its REIT Plan. Thereafter, AREIT continued to grow its portfolio by acquiring The 30th Commercial Development, and parcels of land in Laguna Technopark:

Table 5 – AREIT’s Acquisitions 2020 to January 2021

	Teleperformance Cebu	The 30th	Laguna Technopark Lots
Year Completed	2010	2017	N/A
Description	Grade A, Gold LEED, PEZA-Accredited 12-storey commercial building	Grade A, PEZA-accredited, mixed-use development	Four (4) land parcels leased by Integrated Micro-Electronics, Inc.
Location	Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Barangay Apas, Cebu City	Meralco Avenue, Pasig City	Laguna Technopark, Binan, Laguna
GLA	18,092 sq.m.	74,704 sq.m.	98,179 sq.m. (land)
Occupancy Rate	100%	99%	100%
Right over Building	Owned	Owned	N/A
Right over Land	Leased	Leased	Owned
Land Lease Expiry	2051	2056	N/A

On 8 June 2021, ALI, and its subsidiaries, Westview Commercial Ventures Corp. (“WCVC”) and Glensworth Development, Inc. (“GDI”)(WCVC and GDI herein referred to as “Subsidiaries”), entered into a Deed of Exchange with AREIT whereby the latter issued 483,254,375 primary common shares of stock to ALI, WCVC, and GDI, at an issue price of Php32.00 per share in exchange for identified properties valued at Php15,464,140,000.00. On 8 October 2021, AREIT received the approval of the SEC of the said property-for-share swap and allowed the issuance of 483,254,375 shares of AREIT in favor of ALI, WCVC, and GDI, in exchange for the following identified properties valued at Php15,464,140,000.00:

Table 6 – AREIT’s Property-for-Share Swap with ALI, WCVC, and GDI

	Vertis North Mall and Corporate Centers 1, 2, and 3	BPI-Philam Life Makati	BPI-Philam Life Alabang	Bacolod Capitol Corporate Center	Ayala Northpoint Technohub	One Evotech and Two Evotech
Year Completed	2017	1998	1997	2018	2011	2013
Description	Grade A, LEED Certified, PEZA-accredited mixed-use development	Grade A office units	Grade A office units	Grade A, PEZA-accredited office building	Grade A, PEZA-accredited office building	Grade A, LEED Silver-Certified, PEZA-accredited office building



Location	Quezon City	Makati	Alabang	Bacolod City	Talisay City, Negros Occidental	Sta. Rosa, Laguna
GLA	Office – 125k Mall – 39k	1k	0.5k	11k	5k	23k
Occupancy Rate	97%	100%	100%	100%	100%	100%
Right over Building	Owned	Owned	Owned	Owned	Owned	Owned
Right over Land	Leased	Office Condominium Units	Office Condominium Units	Leased	Leased	Leased
Land Lease Expiry	2058	N/A	N/A	2062	2058	2058

AREIT's principal strategy is to invest in income-generating real estate properties that meet a select set of criteria. A potential new property should (1) be located in a prime location in either Metro Manila or other key provinces in the Philippines, (2) be primarily (but not exclusively) focused on commercial properties, but maybe other types of real estate properties available in the market, and (3) have stable occupancy, tenancy, and income operations.

Upon approval of the Transaction by the Company's stockholders and obtaining regulatory approvals, the Company will own the Properties, thereby increasing AREIT's portfolio from 549,000 square meters to 673,000 square meters of the gross leasable area; increasing AREIT's assets under management from Fifty-Two Billion Pesos to Sixty-Four Billion Pesos; and at the transaction price of Php44.65 per share, the assets to be infused are yield accretive to AREIT at a capitalization rate of 6%, ultimately redounding to the benefit of all stockholders, including the minority retail investors.

X. Effects to the Company Before and After the Transaction

A. Increase in Authorized Capital Stock

There is no change in the Company's Authorized Capital Stock.

B. Change in the Nature of Business

There is no change in the nature of the business of the Company.

C. Change in the Board of Directors and Officers

There is no change in the Company's Board of Directors and Officers as a result of the Transaction.

D. Change in Name

There is no change in the name of the Company.

E. Capital Structure – Ownership Structure of AREIT before and after the Transaction

Provided on the following table is the change in the ownership structure after the transaction.



Table 7 – Ownership Structure of AREIT Before and After the Transaction

Stockholder	Current (as of 28 February 2022; before property for share swap)		Indicative Post-Transaction (after the increase in authorized capital stock and property for share swap)	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
ALI	801,641,623	53.13%	1,053,778,006	59.84%
ALO	96,292,435	6.38%	96,292,435	5.47%
Westview	37,443,313	2.48%	37,443,313	2.13%
GDI	62,146,531	4.12%	62,146,531	3.53%
Non-ALI/Public	511,386,907	33.89%	511,386,908	29.04%
TOTAL	1,508,910,810	100.00%	1,761,047,193	100%

AREIT shall ensure that ALI will sell some of its AREIT shareholdings before the execution of the property-for-share swap to ensure compliance with the minimum public ownership requirements imposed upon the Company. The relevant disclosures on the sale of shareholdings will be made in due course once its terms are finalized.

XI. Identities of Controlling and Substantial Stockholders of the Parties to the Transaction

The controlling stockholder of AREIT is as follows:

Table 8 – Controlling Stockholder of AREIT

Name of Stockholder	Form of Ownership	Number of Shares	% Ownership
ALI	Direct	801,641,623	53.13%
ALO	Indirect	96,292,435	6.38%
WCVC	Indirect	37,443,313	2.48%
GDI	Indirect	62,146,531	4.12%

XII. Statement as to the steps to be taken, if any, to safeguard the interest of any independent shareholders

The 252,136,383 primary common shares to be issued to ALI will be discussed and taken up in AREIT's next Annual Stockholders' Meeting on 21 April 2022. The majority vote representing the outstanding shares held by the minority stockholders present and represented in the Special Stockholders' Meeting on 21 April 2022 shall likewise be obtained for the issuance of the waiver of the requirement to conduct rights or a public offering of the shares to be subscribed by ALI, as part of the requirements of the Exchange in connection with the additional listing of shares with the Exchange.

The Company's Fund Manager on 9 March 2022 has endorsed the Transaction to the Company. The Company's Risk Management and Related Party Transactions Review Committee and the Board of Directors have reviewed Isla Lipana's fairness opinion on the Shares and the Properties, as well as the appraisal reports issued by Asian Appraisal. Asian Appraisal and Isla Lipana have issued appraisal Reports and a Fairness Opinion to establish the fairness of the valuation of the Shares and the Properties used in this Transaction.

Pertinent details are provided in the supporting Annexes submitted together with this document.
