

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

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

1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement

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

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

4. SEC Identification Number **CS200613870**

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

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

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

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

Date	April 23, 2021
Time	2:00 pm
Place	To be conducted virtually through http://www.ayalagroupshareholders.com/ ¹

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

Date	March 31 2021
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10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act:

a. Shares of Stock as of January 31, 2021

Common Shares	1,092,986,405
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b. Amount of Debt Outstanding as of January 31, 2021

P 4,145,000,000.00

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

☒ Yes ☐ No

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

¹ Please refer also to Item 20 of this DIS.



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of **AREIT, INC.** will be conducted virtually via <http://www.ayalagroupshareholders.com/> on **Friday, April 23, 2021** at **2:00 o'clock in the afternoon** with the following

A G E N D A¹

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of Previous Meeting
4. Annual Report
5. Ratification of the Acts of the Board of Directors and Officers
6. Approval of the Amendment to the Sixth Article of the Articles of Incorporation to Increase the Number of Directors from Seven (7) to Eight (8)
7. Approval of the Increase of Authorized Capital Stock of the Company from ₱11,740,000,000.00 to ₱29,500,000,000.00, and the corresponding Amendment of the Seventh Article of the Articles of Incorporation
8. Approval of Issuance of Common Shares in Exchange for Properties
9. Approval of the Delegation of Authority to Amend, Repeal or Adopt New By-Laws to the Board of Directors
10. Election of Directors (Including the Independent Directors, and the New Director who will Fill the Directorship by Reason of the Increase in the Number of Directors²)
11. Election of External Auditor and Fixing of its Remuneration
12. Consideration of Such Other Business as May Properly Come Before the Meeting
13. Adjournment

Only stockholders of record as of **March 23, 2021** are entitled to notice of, and to vote at, this meeting.

Given the current circumstances, stockholders may only attend the meeting by appointing the Chairman of the meeting as their proxy, by remote communication or by voting *in absentia*. Stockholders intending to participate by remote communication should notify the Company on or before April 14, 2021.

¹ See next page for the explanation and rationale for each agenda item.

² In accordance with Section 28 of the Revised Corporation Code wherein any directorship can be filled by reason of an increase in the number of directors at a regular or special meeting duly called for the purpose, or in the same meeting authorizing the increase of directors.

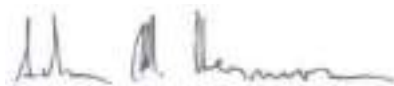
Duly accomplished proxies shall be submitted on or before April 14, 2021 to the Office of the Corporate Secretary at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to corporate.secretary@areit.com.ph. Validation of proxies is set for April 16, 2021 at 9:00 o'clock in the morning.

Stockholders may vote by remote communication, or *in absentia* subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting of votes *in absentia* will be set forth in the Information Statement³.

Stockholders of record as of March 23, 2021 owning at least 5% of the total outstanding capital stock of the Company may submit proposals on items for inclusion in the agenda on or before April 16, 2021⁴.

All communications should be sent by email to corporate.secretary@areit.com.ph on or before the designated deadlines.

Makati City, March 30, 2021.



SOLOMON M. HERMOSURA
Corporate Secretary

³ Stockholders should notify the Company at corporate.secretary@areit.com.ph of their preference to receive hard copies of the Information Statement and other ASM materials on or before March 18, 2021.

⁴ The inclusion of the proposed agenda item is in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company's internal guidelines.



EXPLANATION AND RATIONALE OF AGENDA ITEMS

Call to Order

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

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

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

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, the Company has set up a designated online web address which may be accessed by the stockholders to register and vote on the matters at the meeting *in absentia*⁵. A stockholder participating by remote communication or who votes *in absentia* shall be deemed present for purposes of quorum.

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

- (i) Stockholders may attend the meeting remotely through the online web address (URL) provided. Questions and comments may be sent prior to or during the meeting at corporate.secretary@areit.com.ph and shall be limited to the items in the Agenda.
- (ii) Each of the proposed resolutions will be shown on the screen during the livestreaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company on or before April 14, 2021 of their intention to participate in the Meeting by remote communication to be included in determining the existence of a quorum, together with the stockholders who voted *in absentia* and by proxy.
- (iv) Voting shall only be allowed for stockholders registered in the Voting *in Absentia* and Shareholder (VIASH) System or through authorizing the Chairman of the meeting as proxy.
- (v) Stockholders voting *in absentia*, who have previously registered in the VIASH System, may cast their votes electronically at any time using the VIASH System prior to or during the meeting.
- (vi) All items in the agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting, except agenda items 6, 7 and 8 which require the affirmative vote of stockholders representing at least 2/3 of the outstanding capital stock.
- (vii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes. Each outstanding share of stock entitles the registered stockholder to one vote.
- (viii) The Office of the Corporate Secretary will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.
- (ix) The meeting proceedings shall be recorded in audio and video format.
- (x) A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the matters arising from the meeting conducted.

Approval of Minutes of Previous Meeting

The soft copies of the minutes of the meeting held on June 23, 2020 will be distributed to the stockholders after their registration for the meeting.

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

Annual Report

The Chairman will deliver a message which provides the highlights of the performance of the Company for the year 2020 and the outlook of the Company for the year 2021 and beyond.

The President and Chief Executive Officer will deliver the "President's Report" which provides the significant operational and financial performance as well as the milestones and achievements of the Company for the year 2020. The report will also include significant events affecting the Company's performance for the year 2020.

The Company's 2020 Integrated Report will contain the "Message From The Chairman" and the "President's Report". The Integrated Report in PDF format will be posted on the Company's website, areit.com.ph

The Audited Financial Statements (AFS) as of December 31, 2020 will be presented to the stockholders for their approval. The AFS will be embodied in the Information Statement that may be accessed by the stockholders at the Company's website, areit.com.ph, and will also be set forth in the Integrated Report. The Audit Committee has recommended to the Board the approval of the AFS, and the Board has approved the AFS on February 24, 2021.

⁵ The detailed instructions pertaining to the URL and the use thereof will be provided in the Information Statement.

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

Ratification of the Acts of the Board of Directors and Officers

The acts of the Board and its Committees were those adopted since the annual stockholders' meeting on June 23, 2020 until April 23, 2021. They include the approval of agreements, projects, investments, treasury-related matters and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its Committees or in the general conduct of business.

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

Approval of the Amendment to the Sixth Article of the Articles of Incorporation to Increase the Number of Directors from Seven (7) to Eight (8)

Approval by the stockholders will be sought for the increase in the number of directors from seven (7) to eight (8) to enhance diversity of the Company's Board by bringing in more experience, wisdom, and knowledge into the decision-making process, thereby making the Company's Board more robust.

A resolution on this agenda item will be presented to the stockholders for adoption by the affirmative vote of stockholders representing at least 2/3 of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

Approval of the Increase in Authorized Capital Stock from Company from ₱11,740,000,000.00 to ₱29,500,000,000.00, and the corresponding Amendment of the Seventh Article of the Articles of Incorporation

Approval by the stockholders will be sought to increase the authorized capital stock from ₱11,740,000,000.00 divided into 1,174,000,000 common shares with a par value of ₱10.00 per share to ₱29,500,000,000.00 divided into 2,950,000,000 common shares with par value of ₱10.00, and to amend the Seventh Article of the Articles of Incorporation to reflect such increase. The increase in capital stock will enable the Company to grow its assets under management through a property-for-share swap. The Board approved the increase and the corresponding amendment during its meeting on March 16, 2021.

A resolution on this agenda item must be approved by stockholders owning at least 2/3 of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

Approval of Issuance of Common Shares in Exchange for Properties

Approval of the stockholders will be sought for the issuance 483,254,375 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc. and its subsidiaries valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (₱15,464,140,000.00), under a property-for-share swap.

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

Approval of the Delegation of Authority to Amend, Repeal or Adopt New By-Laws to the Board of Directors

Approval by the stockholders will be sought for the approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of Directors to allow flexibility in making timely modifications or adopting new provisions which may be required by laws and regulations or which may be necessary or beneficial for the Company's operations without having to convene the stockholders every time the need arises.

A resolution on this agenda item will be presented to the stockholders for adoption by the affirmative vote of stockholders representing at least 2/3 of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

Election of Directors (Including the Independent Directors, and the New Director who will Fill the Directorship by Reason of the Increase in the Number of Directors)

The Corporate Governance and Nomination Committee of the Board have evaluated and determined that the eight (8) nominees to the Board, including the nominees for independent directors and the new director who will fill the directorship by reason of the increase in the number of directors, have all the necessary qualifications to serve as directors and the expertise and competence, individually and collectively, to enable the Board to fulfill its roles and responsibilities and manage the Company to achieve its objectives.

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

Election of External Auditor and Fixing of its Remuneration

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

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



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

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

The Chairman will open the floor for comments and questions by the stockholders, and take up agenda items received from stockholders on or before April 7, 2021 in accordance with existing laws, rules and regulations of the Securities and Exchange Commission and the Company's internal guidelines⁶.

⁶SEC Memorandum Circular No. 14, series of 2020 or "Shareholders' Right to Put items on the Agenda for Regular/Special Stockholders' Meetings": <https://www.sec.gov.ph/mc-2020/mc-no-14-s-2020shareholders-right-to-put-items-on-the-agenda-for-regular-special-stockholders-meetings/>.

PROXY

The undersigned stockholder of **AREIT, INC.** (the "Company") hereby appoints the Chairman of the meeting, as *attorney-in-fact* and *proxy*, to represent and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company and the special meeting of the stockholders of the Company, both on April 23, 2021 and at any of the adjournments thereof for the purpose of acting on the matters stated below:

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

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

Annual Stockholders' Meeting

- | | | |
|--|--|--|
| 1. Approval of minutes of previous meeting.
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | 8. Election of directors.

Jose Emmanuel H. Jalandoni
Bernard Vincent O. Dy
Carol T. Mills
Augusto D. Bengzon
Mariana Zobel de Ayala
<u>Independent Directors:</u>
Omar T. Cruz
Enrico S. Cruz
Simeon S. Cua | No. of Votes

_____ |
| 2. Annual report.
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | | |
| 3. Ratification of the acts of the Board of Directors and Officers.
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | | |
| 4. Approval of the amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8)
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | | |
| 5. Approval of the increase of Authorized Capital Stock from ₱11,740,000,000.00 to ₱29,500,000,000.00, and the corresponding amendment to the Seventh Article of the Articles of Incorporation
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | | |
| 6. Approval of issuance of common shares in exchange for properties
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | | |
| 7. Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of Directors
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | | |
| | 9. Election of SyCip Gorres Velayo & Co. as the external auditor and fixing of its remuneration.
<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain | |
| | 10. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.
<input type="checkbox"/> For <input type="checkbox"/> Against | |

Special Stockholders' Meeting

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

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER /
AUTHORIZED SIGNATORY

DATE

A SCANNED COPY OF THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY AT corporate.secretary@areit.com.ph ON OR BEFORE **APRIL 14, 2021**, THE DEADLINE FOR SUBMISSION OF PROXIES. FOR CORPORATE STOCKHOLDERS, PLEASE ATTACH TO THIS PROXY FORM THE SECRETARY'S CERTIFICATE ON THE AUTHORITY OF THE SIGNATORY TO APPOINT THE PROXY AND SIGN THIS FORM.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER REGISTERS ON THE VOTING *IN ABSENTIA* & SHAREHOLDER (VIASH) SYSTEM.

STOCKHOLDERS PARTICIPATING BY REMOTE COMMUNICATION WILL NOT BE ABLE TO VOTE UNLESS THEY REGISTER IN THE VIASH SYSTEM OR AUTHORIZE THE CHAIRMAN TO VOTE AS PROXY, ON OR BEFORE **APRIL 14, 2021**.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date	April 23, 2021
Time	2:00 pm
Place	To be conducted virtually through http://www.avalagroupshareholders.com/²
Principal Office	28th Floor, Tower One and Exchange Plaza Ayala Triangle, Ayala Avenue, Makati City 1226

The Information Statement may be accessed by the Company’s stockholders beginning March 31, 2021 at the Company’s website, areit.com.ph.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

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

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

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

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

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

- (a) No current director or officer³, or nominee for election as director or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken at the annual stockholders’ meeting.

² Please also refer to Item 20 of this DIS.

³ References to directors, officers, Board or Committees are references to directors, officers, Board or Committees of the Company unless otherwise specified.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of Shares Outstanding as of January 31, 2021:

Common Shares **1,025,656,435**

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

- (b) All stockholders of record as of March 23, 2021 are entitled to receive notice and to vote at the annual stockholders' meeting.

(c) Manner of Voting

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

"Section 7 - Unless otherwise provided by law, each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share held by such stockholder. At all meetings of the stockholders, all elections and all questions, except in cases where hereunder specified or where other provision is made by statute or by the Articles of Incorporation, shall be decided by the majority vote of the stockholders present in person or by proxy, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall state the number of shares voted by him. *(as amended in a meeting of the Board of Directors and stockholders on September 26, 2018)*

On February 24, 2021, the Board of Directors of the Company, approved and authorized the holding of a fully virtual 2021 annual stockholders' meeting, including all the necessary and related arrangements, and the internal guidelines or procedures on participation in meetings by remote communication and voting *in absentia* in compliance with the requirement of the Securities and Exchange Commission and in accordance with Sections 57 and 23 of the Revised Corporation Code. Stockholders may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. Please refer to Annex A (I) for the detailed instruction on electronic voting. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

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

- i. Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2021:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Ayala Land, Inc. ⁴ 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. ⁵	Filipino	461,977,093	45.04209%
Common	PCD Nominee Corporation (Filipino) ⁶ G/F MSE Bldg.	PCD participants acting for themselves or for their customers ⁷	Filipino	397,124,617	38.71907%

⁴ Ayala Land, Inc. ("ALI") is the principal stockholder of the Company.

⁵ Under the By-Laws of ALI and the Revised Corporation Code, the ALI Board has the power to decide how ALI's shares are to be voted.

⁶ PCD is not related to the Company.

⁷ Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote *in absentia* or through the Chairman of the meeting as proxy. Out of the 467,327,600 common shares registered

	Ayala Ave., Makati City				
Common	AyalaLand Offices, Inc. ⁸	AyalaLand Offices, Inc. ⁹	Filipino	96,292,435	9.38837%
Common	PCD Nominee Corporation (Non-Filipino) ⁶ G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ⁷	Various Non-Filipino	70,202,983	6.84469%

ii. Security Ownership of Directors and Management (Executive Officers) as of January 31, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Directors				
Common	Bernard Vincent O. Dy	(direct) 1	Filipino	0.00000%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.00000%
Common	Jose Emmanuel H. Jalandoni	(direct) 1	Filipino	0.00000%
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.00985%
Common	Enrico S. Cruz	(direct & indirect) 2,670,001	Filipino	0.26032%
Common	Omar T. Cruz	(direct & indirect) 717,601	Filipino	0.06997%
Common	Simeon S. Cua	(direct) 1	Filipino	0.00000%
CEO and Most Highly Compensated Executive Officers				
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.00985%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.00000%
Common	Elaine F. Alzona	(indirect) 5,000	Filipino	0.00049%
Common	Michael Anthony D. Garcia	0	Filipino	0.00000%
Other Executive Officers				
Common	Solomon M. Hermosura	(indirect) 580,000	Filipino	0.05655%
Common	Amelia Ann T. Alipao	(indirect) 20,000	Filipino	0.00195%
Common	June Vee D. Monteclaro-Navarro	(indirect) 40,000	Filipino	0.00390%
Common	Nimfa Ambrosia L. Perez-Paras	(indirect) 39,900	Filipino	0.00292%
All Directors and Officers as a group		4,173,507		0.40691%

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

iii. Voting Trust Holders of 5% or more

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

iv. Changes in Control

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

in the name of PCD Nominee Corporation, 115,468,427 or 11.25801% of the outstanding capital stock is for the account of BPI Securities Corporation (BPI Trade) and 52,328,400 or 5.10194% of the outstanding capital stock is for the account of Citibank N.A..None of BPI Trade, Citibank N.A. or any of their customers have coordinated with the Company for the submission of SEC Form 18-A for beneficially owning more than 5% of the Company's common shares.

⁸ AyalaLand Offices, Inc. is an affiliate of AREIT, Inc. for having ALI as their common stockholder owning at least 10% of their outstanding capital stock.

⁹ The Board of AyalaLand Offices, Inc. has the power to decide how the shares are to be voted.

(e) Foreign ownership level as of January 31, 2021:

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	1,025,656,435	70,202,983	6.8447%

Item 5. Directors and Executive Officers

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

“Section 2. xxx The Board of Directors shall have seven (7) members who shall be elected by the stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year until their successors are elected and qualified in accordance with these By-laws.” xxx

The record of attendance of the directors at the meetings of the Board of Directors (the “Board”) held in 2020 is as follows:

Directors	No. of Meetings Attended/Held	Percent Present
Jose Emmanuel H. Jalandoni	9/9	100%
Bernard Vincent O. Dy	9/9	100%
Carol T. Mills	9/9	100%
Augusto D. Bengzon	9/9	100%
Omar T. Cruz	9/9	100%
Enrico S. Cruz	9/9	100%
Simeon S. Cua	9/9	100%

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

(a) Information required of Directors and Executive Officers

i. Directors and Executive Officers

The following persons, who constitute the final list of candidates, including the new director who will fill the directorship by reason of the increase in the number of directors¹⁰, presented and approved by the Corporate Governance and Nomination Committee (composed of Simeon S. Cua, Chairman, Omar T. Cruz, Enrico S. Cruz, members), have been nominated to the Board for the ensuing year and have accepted their nomination:

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

The nominees were formally nominated by a shareholder of the Company, Mr. Jose Emilio B. Jamir, who owns 52,000 common shares or 0.00507% of the total voting shares of the Company and who is not related to any of the nominees for independent directors. Messrs. Omar T. Cruz, Enrico S. Cruz, and Simeon S. Cua are nominated as independent directors. Except for Ms. Mariana Zobel de Ayala, all are incumbent directors of the Company. The Corporate Governance and Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in

¹⁰ On October 22, 2020, the Board of Directors approved the amendments to the Articles of Incorporation and By-Laws of the Company to increase the number of directors from seven (7) to eight (8). Section 28 of the Revised Corporation Code provides that any directorship can be filled by reason of an increase in the number of directors at a regular or special meeting duly called for the purpose, or in the same meeting authorizing the increase of directors.

accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and the By-Laws of the Company.

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

Ms. Mariana Zobel de Ayala is being nominated as a director of the Company for the first time. Mr. Enrico S. Cruz has served as independent director for one (1) year. Messrs. Omar T. Cruz, Simeon S. Cua, and Augusto D. Bengzon served as directors of the Company for more than one (1) year; Messrs. Bernard Vincent O. Dy, Jose Emmanuel H. Jalandoni and Ms. Carol T. Mills has served for more than five (5) years.

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

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

ii. Significant employees

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

iii. Family Relationships

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

iv. Involvement in Certain Legal Proceedings

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

As of December 31, 2020, the Company is not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

(b) Certain Relationships and Related Transactions

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

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

The table below sets out the principal ongoing transactions of the Company with related parties as of December 31, 2020:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One	Varying depending on supply charges computation and adjustments; for year ended December 31, 2020 electricity expense incurred amounted to ₱42.54 million (see Note 19 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management of the Properties prior to The Company listing in Exchange	Management fee recognized amounted to ₱12.60 million for year ended December 31, 2020 (see Note 19 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078 per month, subject to annual escalation of 5% (see Note 17 of Audited FS)
Ayala Land, Inc.	Land lease agreements for Solaris and Teleperformance Cebu properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱39.04 million in 2020 (see Note 17 and 19 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	<p>0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of Management fees and after deducting interest expense from lease liabilities for the relevant period. The Company recognized fee for year ended December 31, 2020 amounting to ₱37.37 million (see Note 19 of Audited FS).</p> <p>Additional fees, if applicable: 1% of the acquisition price for every acquisition made. The Company recognized additional investment cost amounting to ₱14.5 million for the fees related to the acquisition of Teleperformance Cebu.</p> <p>0.50% of the sales price for every property divested</p>

Related Parties	Nature of Transaction	Value of the Transaction
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	3% of Gross Rental Income plus Interest Income from finance lease for the relevant (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company; for the year ended December 31, 2020, the management fee recognized amounted to ₱34.54 million (see Note 19 of Audited FS).
ALO Prime Realty Corp.	Acquisition of Teleperformance Cebu	₱1,450.00 million, (see Note 7 of the Audited FS).
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company recognized land lease in 2020 amounting to ₱71.51 million (see Note 19 of Audited FS)
Alveo Land Corp.	Contract of Lease dated January 5, 2018 for office space in Solaris One (0.76% of total gross leasable area)	The Company recognized rental income amounting to ₱4.66 million in 2020 (see Note 19 of the Audited FS)
Makati North Hotel Ventures, Inc.	Contract of Lease dated February 6, 2019 (for 100% of the serviced residences portion of Ayala North Exchange)	Fixed- ₱6,315 million plus 5% of Total Hotel Revenues if Total Hotel Revenues exceed ₱500 million or 10% of Total Hotel Revenues if Total Hotel Revenues exceed ₱1 billion, starting on Year 6 of the contract; Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.24 billion (see Note 17 of the Audited FS)
Bank of the Philippine Islands	Contract of Lease dated November 28, 2016 (0.23% of total gross leasable area in Solaris One)	₱588.32 million, lease for a period of five (5) years, VAT exclusive. For year ended December 31, 2020, the Company recognized rental income amounting to ₱105.06 million (see Note 19 of the Audited FS)
	Contract of Lease dated April 30, 2019 (10.5% of total gross leasable area in Ayala North Exchange)	₱73.50 million, lease for a period of seven (7) years, VAT exclusive; Rental income recognized in 2020 amounted to ₱10.52 million (see Note 19 of the Audited FS)
First Gateway Real Estate Corp.	Contract of Lease dated May 29, 2019 (1.6% of total gross leasable area of Ayala North Exchange)	
Arvo Commercial Corp.	Loan covered by a Promissory Note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱205.76 million (see Note 19 of Audited FS)
Central Block Developers, Inc.	Loan covered by a Promissory Note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱390.09

Related Parties	Nature of Transaction	Value of the Transaction
Ten Knots Philippines, Inc.	Loan covered by Promissory Note	million (see Note 19 of the Audited FS) Total outstanding receivable balance as of December 31, 2020 amounted to ₱121.24 million (see Note 19 of the Audited FS)
Arca South Commercial Ventures Corp.	Loan covered by Promissory Note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱118.93 million (see Note 19 of the Audited FS)
Crans Montana Property Holdings Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱117.09 million (see Note 19 of the Audited FS)
Capitol Central Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱88.74 million (see Note 19 of the Audited FS)
ALI Makati Hotel Property, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱77.65 million (see Note 19 of the Audited FS)
Soltea Commercial Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱59.69 million (see Note 19 of the Audited FS)
Laguna Technopark Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱52.64 million (see Note 19 of the Audited FS)
Ayalaland Logistics Holdings Corp	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱50.60 million (see Note 19 of the Audited FS)
ALI Triangle Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱42.81 million (see Note 19 of the Audited FS)
Cagayan De Oro Gateway Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱26.48 million (see Note 19 of the Audited FS)
Cavite Commercial Towncenter Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱25.61 million (see Note 19 of the Audited FS)
Bay City Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱22.54

Related Parties	Nature of Transaction	Value of the Transaction
Leisure and Allied Industries Phils. Inc.	Loans covered by Promissory note	million (see Note 19 of the Audited FS) Total outstanding receivable balance as of December 31, 2020 amounted to ₱20.05 million (see Note 19 of the Audited FS)
Sicogon Island Tourism Estate Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱18.03 million (see Note 19 of the Audited FS)
ALI Commercial Center, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱15.02 million (see Note 19 of the Audited FS)
Nuevocentro, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱11.07 million (see Note 19 of the Audited FS)
Hillsford Property Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱10.00 million (see Note 19 of the Audited FS)
Sicogon Town Hotel, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱8.01 million (see Note 19 of the Audited FS)
Circuit Makati Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱4.35 million (see Note 19 of the Audited FS)
Airswift Transport, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.55 million (see Note 19 of the Audited FS)
Ayalaland Malls Synergies, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.51 million (see Note 19 of the Audited FS)
Amaia Land Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.03 million (see Note 19 of the Audited FS)
Westview Commercial Ventures Corp	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱1.82 million (see Note 19 of the Audited FS)

As of 31 December 2020, the Company has paid the following fees to its related parties:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One	Varying depending on supply charges computation and adjustments; for year ended December 31, 2020 electricity expense incurred amounted to ₱42.54 million (see Note 19 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management of the Properties prior to The Company listing in Exchange	Management fee recognized amounted to ₱12.60 million for year ended December 31, 2020 (see Note 19 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078 per month, subject to annual escalation of 5% (see Note 17 of Audited FS)
Ayala Land, Inc.	Land lease agreements for Solaris and Teleperformance Cebu properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company paid land lease amounting to ₱39.04 million in 2020 (see Note 17 and 19 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	<p>0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of Management fees and after deducting interest expense from lease liabilities for the relevant period. The Company paid fees for year ended December 31, 2020 amounting to ₱37.37 million (see Note 19 of Audited FS).</p> <p>Additional fees: 1% of the acquisition price for every acquisition made. The Company recognized additional investment cost amounting to ₱14.5 million for the fees related to the acquisition of Teleperformance Cebu.</p> <p>0.50% of the sales price for every property divested</p>

Related Parties	Nature of Transaction	Value of the Transaction
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	3% of Gross Rental Income plus Interest Income from finance lease for the relevant (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company; for the year ended December 31, 2020, the management fee paid amounted to ₱34.54 million (see Note 19 of Audited FS).
ALO Prime Realty Corp.	Acquisition of Teleperformance Cebu	₱1,450.00 million, (see Note 7 of the Audited FS).
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company paid land lease in 2020 amounting to ₱71.51 million (see Note 19 of Audited FS)

On 05 January 2021, upon the recommendation of AREIT Fund Managers, Inc., and the Company's Related Party Transactions Committee, and upon the approval of its Board of Directors, the Company acquired four (4) parcels of land with an aggregate area of 98,179 square meters located in Laguna Technopark, Biñan, Laguna, for One Billion One Hundred Six Million Five Hundred Thirty-Two Thousand Three Hundred Ten and 24/100 Pesos (₱1,106,532,310.24), inclusive of value-added taxes, from Technopark Land, Inc, an affiliate of the Company. Ayala Corporation owns 78.77% of Technopark Land, Inc., and 44.44% of Ayala Land, Inc. Ayala Land, Inc. is the Sponsor of the Company, and directly and indirectly owns 54.43% of the Company.

On 15 January 2021, upon the recommendation of AREIT Fund Managers, Inc., and the Company's Related Party Transactions Committee, and upon the approval of its Board of Directors, the Company acquired The 30th Commercial Development from Ayala Land, Inc., for Five Billion One Hundred Twelve Million Fifty-Eight Thousand Sixty-Three and 28/100 Pesos (₱5,112,058,063.28), inclusive of value-added taxes. The 30th Commercial Development is a commercial building with a total gross leasable area of 74,704 square meters composed of a 19-storey office tower with a gross leasable area of 47,871 square meters, and a 4-storey retail podium with a gross leasable area of 26,833 square meters, located in Meralco Avenue, Pasig City, Metro Manila, Philippines.

On 16 March 2021, the Related Party Transactions Committee of the Company likewise approved and endorsed to the Board of Directors of the Company, the proposed property-for-share swap transaction between the Company and Ayala Land, Inc., specifically, the issuance of 483,254,375 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc., and its subsidiaries, valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (₱15,464,140,000). The Board of Directors of the Company, by unanimous vote likewise approved the transaction on even date.

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

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

Material related transactions are reviewed and approved by the Related Party Transactions

Review Committee in accordance with the Company's Related Party Transactions Policy.

(c) Ownership Structure and Parent Company

ALI is the majority shareholder and Sponsor of AREIT which owns 45.04% of the total outstanding voting shares of the Company as of January 31, 2021. AyalaLand Offices, Inc., a 100%-owned subsidiary of ALI, owns 9.39% of total outstanding voting shares of the Company as of January 31, 2021.

(d) Resignation of Directors

No director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

(a) Executive Compensation

Name and Principal Position	Year	Salary	Other Variable Pay
Carol T. Mills President & CEO			
August D. Bengzon Treasurer			
Elaine Marie F. Alzona CFO and Chief Compliance Officer			
Michael Anthony L. Garcia Investor Relations Officer			
CEO & Most Highly Compensated Executive Officers	Actual 2019	P5.37M	*P3.16M
	Actual 2020	P5.13M	*P3.01M
	Projected 2021	P6.78M	*P3.98M
All other officers** as a group unnamed	Projected 2021	P1.05M	*P0.62M

* Exclusive of Stock Option exercise. ** Managers and up.

The executive officers are all seconded from Ayala Land, Inc, and they receive no compensation, salary, or per diem from the Company. The Company pays Ayala Land, Inc. management fees which includes key management personnel services for the Company. The amounts stated above form part of the management fees paid to Ayala Land, Inc. that covers the compensation of the executive officers of AREIT. Other variable pay covers bonuses.

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

(b) Compensation of Directors

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

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

A director, except an independent director, shall not be precluded from serving the

Corporation in any other capacity such as an officer, agent or otherwise, and from receiving compensation thereof.

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provision of the REIT Act and other applicable laws, rules, and regulations. *(as amended on December 20, 2006; and as further amended in a meeting of the Board of Directors and stockholders on September 26, 2018)*

i. Standard Arrangement (Current Compensation)

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

In 2020, the following independent directors of the Corporation received gross compensation, as follows:

Director	Per Diem	Total
Omar T. Cruz	₱340,000.00	₱340,000.00
Enrico S. Cruz	₱340,000.00	₱340,000.00
Simeon S. Cua	₱280,000.00	₱280,000.00

ii. Other Arrangement

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

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

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

(d) Warrants and Options Outstanding: Repricing

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

Item 7. Independent Public Accountants

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

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Mr. Dolmar C. Montañez is the Partner-in-Charge for the audit years 2016 to 2020.

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

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

(d) Audit and Audit-Related Fees

AREIT paid its external auditor the following fees in the past two years: (in Php million; with VAT)

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2020	699,562.50	-	3,453,432.50
2019	682,500.00	-	945,000.00

(e) Tax Fees

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

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

(f) Other Fees

For 2019 and 2020, other fees paid to SGV is higher than the audit and audit-related fees due to the engagement of SGV as external auditor for the registration with the SEC, and the listing with the PSE, of AREIT as a real estate investment trust company, and its initial public offering.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

a. Amount of Securities to be Authorized or Issued:

i. Increase in Authorized Capital Stock

The authorized capital stock is being proposed to be increased by 1,776,000,000 common shares. An amendment to the Seventh Article of the Company's Articles of Incorporation will be submitted for approval during the annual stockholders' meeting. The said amendment seeks to increase the Company's authorized capital stock from Eleven Billion Seven Hundred Forty Million Pesos (P11,740,000,000.00) divided into One Billion One Hundred Seventy-Four Million (1,174,000,000) common shares to Twenty-Nine Billion Five Hundred Million Pesos (P29,500,000,000.00) divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) common shares.

ii. Issuance of shares to Ayala Land, Inc.

To be presented for the approval of the shareholders is the issuance of 483,254,375 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc., and its subsidiaries, valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (P15,464,140,000), independently evaluated and recommended to the Company by AREIT Fund Managers, Inc., under a property-for-share swap with transaction price of P32/share, and will be validated by a fairness opinion issued by PwC Philippines – Isla Lipana & Co. The properties to be

infused have been evaluated by AREIT Fund Managers, Inc., and have been appraised by the Company's property appraiser, Asian Appraisal Company, Inc. The Valuation Reports issued by Asian Appraisal Company, Inc. are collectively attached hereto as Annex "F."

Property	Registered Owner	Fair Market Value (in Php)
Vertis North Corporate Center 3 Office Towers and Retail Podium	Ayala Land, Inc.	11,975,700,000
BPI-Philam Life Makati	Ayala Land, Inc.	238,175,000
BPI-Philam Life Alabang	Ayala Land, Inc.	63,390,000
Bacolod Capitol Corporate Center	Westview Commercial	897,939,000
Ayala Northpoint Technohub	Ventures Corp. ¹	300,247,000
One Evotech and Two Evotech	Glensworth Development, Inc. ²	1,988,689,000
Total		15,464,140,000

¹ 100% owned by ALI
² 100% owned by AyalaLand Offices, Inc., a wholly-owned subsidiary of Ayala Land, Inc. (collectively, the "Properties")

The following primary common shares will be issued to Ayala Land, Inc., Westview Commercial Ventures Corp., and Glensworth Development, Inc. in exchange for the above-described Properties:

Stockholder	Number of Shares
ALI	383,664,531
Westview	37,443,313
GDI	62,146,531
TOTAL	483,254,375

b. Description of Registrant's Securities:

The Company's current authorized capital stock is Eleven Billion Seven Hundred Forty Million Pesos (P11,740,000,000.00) divided into One Billion One Hundred Seventy-Four Million (1,174,000,000) common shares, with a par value of Ten Pesos (P10.00) per share. As of January 31, 2021, 1,025,656,435 shares of the Company are issued and outstanding. Stockholders of the Company enjoy full dividend and voting rights in accordance with the Revised Corporation Code, pro-rata to their shareholdings. Pursuant to Seventh Article of the Company's Articles of Incorporation, no stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Company, whether issued from its unissued capital, increase in its authorized capital, or its treasury stock. There are no class of shares which enjoy preferential rights as to voting or dividends.

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

- i. Increase in Authorized Capital Stock. The authorized capital stock is being proposed to be increased by 1,776,000,000 common shares. An amendment to the Seventh Article of the Company's Articles of Incorporation will be submitted for approval during the annual stockholders' meeting. The said amendment seeks to increase the Company's authorized capital stock from Eleven Billion Seven Hundred Forty Million Pesos (P11,740,000,000.00) divided into One Billion One Hundred Seventy-Four Million (1,174,000,000) common shares, to Twenty-Nine Billion Five Hundred Million Pesos (P29,500,000,000.00) divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) common shares. Subject to the approval of the shareholders, 483,254,375 primary common shares out of the 1,776,000,000 common shares subject of the increase is proposed to be issued to Ayala Land, Inc., and its subsidiaries in exchange for identified properties owned by Ayala Land, Inc., and its subsidiaries, valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (P15,464,140,000), under a property-for- share swap with transaction price of P32/share, to be validated by

a fairness opinion issued by PwC Philippines – Isla Lipana & Co. The rest of the common shares subject of the increase will be used for future acquisitions and allowable investments in accordance with Republic Act No. 9856, otherwise known as the Real Estate Investment Trust Act of 2009, and its Implementing Rules and Regulations (REIT Law).

As the first Philippine Real Estate Investment Trust (REIT) which successfully listed amidst the pandemic, AREIT aspires to further grow its leasing portfolio with prime and stable assets. The planned property-for-share swap will increase AREIT's portfolio from 344,000 square meters to 549,000 square meters of gross leasable area; increase AREIT's assets under management from Thirty Billion Pesos to Fifty-Two Billion Pesos; and at the transaction price of ₱32/share, the assets to be infused are yield accretive to AREIT at a capitalization rate of 6%.

This matter was approved by the Board of Directors of AREIT on March 16, 2021.

- ii. Issuance of shares to Ayala Land, Inc. To be presented for the approval of the shareholders is the issuance of 483,254,375 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc., and its subsidiaries, valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (₱15,464,140,000), independently evaluated and recommended to the Company by AREIT Fund Managers, Inc., under a property-for-share swap with transaction price of ₱32/share, to be validated by a fairness opinion issued by PricewaterhouseCoopers. The shares will be transferred to Ayala Land, Inc. upon approval of the stockholders of the Company, and upon compliance with all regulatory approvals.

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

Properties Subject of Property-For-Share Swap

Property	Registered Owner	Fair Market Value (in Php)
Vertis North Corporate Center		
3 Office Towers and Retail Podium	ALI	11,975,700,000
BPI-Philam Life Makati	ALI	238,175,000
BPI-Philam Life Alabang	ALI	63,390,000
Bacolod Capitol Corporate Center	Westview ¹	897,939,000
Ayala Northpoint Technohub		300,247,000
One Evotech and Two Evotech	GDI ²	1,988,689,000
Total		15,464,140,000

¹ 100% owned by ALI

² 100% owned by AyalaLand Offices, Inc. ("ALO"), a wholly-owned subsidiary of ALI (collectively, the "**Properties**")

Breakdown of Shares to be Issued to Ayala Land, Inc. and its subsidiaries

Stockholder	Number of Shares
ALI	383,664,531
Westview	37,443,313
GDI	62,146,531
TOTAL	483,254,375

The Properties will be used as Ayala Land, Inc.'s and the subsidiaries' payment for the shares and to support the increase in the Company's authorized capital stock from Php11,740,000,000.00 to Php29,500,000,000.00. 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 PwC Philippines – Isla

Lipana & Co., an independent fairness opinion provider accredited by both the SEC and the PSE.

This matter was approved by the Related Party Transactions Review Committee of AREIT (composed of Simeon S. Cua, Chairman, Omar T. Cruz, Enrico S. Cruz, members) and ratified by the Board of Directors of the Company by unanimous vote on March 16, 2021.

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

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

Nature of Fees	Amounts (in Php)
(1) Increase in Authorized Capital Stock	
a) SEC	
• Filing Fee	35,520,000.00
• Legal Research Fee	355,200.00
• Amendments to By-Laws	1,000.00
• Amendments to Articles of Incorporation	1,000.00
b) BIR	
• DST on Original Issuance of Shares of the Increase in ACS	48,325,437.50
(2) Listing of Shares (PSE)	
• Processing Fee	50,000.00
• Additional Listing Fee for Shares for Property Swap	15,464,140.00
(3) Property Transfer (Local Government Units)	
• Local Transfer Tax	115,981,050.00

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

iii. Valuation.

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

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

PwC Philippines – Isla Lipana & Co. used the Discounted Cashflows (“DCF”) Approach as the primary method to estimate the fair value of the Company’s shares and the Properties. Under the DCF approach, PwC Philippines – Isla Lipana & Co. will discount the cashflows of the Company and the Properties based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model. The Direct Capitalization Approach and Market Approach will also be used as secondary methods to cross-check the value of the

Properties and the value of the Company's shares, respectively.

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2020, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "C". The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

Background of the Transaction

The acquisition of property owned by Ayala Land, Inc. and its subsidiaries valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (P15,464,140,000), in exchange for the issuance of 483,254,375 primary common shares to Ayala Land, Inc., via a property-for-share swap, will be presented to the stockholders for approval. AREIT Fund Managers, Inc. has recommended the acquisition of the properties after independent evaluation of the assets, based on the properties' background, track record, and available third-party appraisal and valuation reports, and in accordance with the Company's investment policy.

The Company and Ayala Land, Inc. (ALI), and ALI's subsidiaries Westview Commercial Ventures Corp. (Westview), and Glensworth Development, Inc. (GDI) (Westview, and GDI are collectively referred to as "Subsidiaries"), will execute a property-for-shares swap transaction whereby the Company will issue the Shares to ALI and its Subsidiaries (as illustrated in the table below) in exchange for the following identified properties valued at Php15,464,140,000.00, at a transaction price of Php32.00 per share:

Properties Subject of Property-For-Share Swap

Property	Registered Owner	Fair Market Value (in Php)
Vertis North Corporate Center 3 Office Towers and Retail Podium	ALI	11,975,700,000
BPI-Philam Life Makati	ALI	238,175,000
BPI-Philam Life Alabang	ALI	63,390,000
Bacolod Capitol Corporate Center	Westview ¹	897,939,000
Ayala Northpoint Technohub		300,247,000
One Evotech and Two Evotech	GDI ²	1,988,689,000
Total		15,464,140,000
¹ 100% owned by ALI		
² 100% owned by AyalaLand Offices, Inc. ("ALO"), a wholly-owned subsidiary of ALI (collectively, the "Properties")		

An overview of the Properties are as follows:

	Vertis North Commercial Development	BPI-Philam Life Makati	BPI-Philam Life Alabang	Bacolod Capitol Corporate Center	Ayala Northpoint Technopark	One & Two Evotech
Location	Quezon City	Makati	Alabang	Bacolod City	Talisay City, Negros Occidental	Sta. Rosa, Laguna
Building Owner	ALI	ALI	ALI	Westview Commercial Ventures Corp.		Glensworth Development Corp.
GLA (sq.m)	Office – 125k Mall – 39k	1k	0.5k	11k	5k	23k
Occupancy	97%	100%	100%	100%	100%	100%
Major Tenants	Google Services Philippines, Teleperformance, Telus, Global Payments	Oberthur Card Systems	Amaia Land	ARB Call Facilities	RMS Collect Philippines	Concentrix CVG Philippines, IBM Business Services
Right Over Land	Leased	Office Condominium Units	Office Condominium Units	Leased	Leased	Leased

The properties average a monthly rent per sqm of ₱665

Overall weighted average lease expiry (WALE) as of March 31, 2021 is 4 years for the offices; 9.5 years including Vertis Mall building lease of ALI-wholly owned subsidiary North Eastern Commercial Corp.

Breakdown of Shares to be Issued to Ayala Land, Inc. and its subsidiaries

Stockholder	Number of Shares
ALI	383,664,531
Westview	37,443,313
GDI	62,146,531
TOTAL	483,254,375

The Properties will be used as ALI's and the Subsidiaries' payment for the Shares and to support the increase in the Company's authorized capital stock from Php11,740,000,000.00 to Php29,500,000,000.00 (the "Transaction"). 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 PwC Philippines – Isla Lipana & Co. ("PwC"), an independent fairness opinion provider accredited by both the SEC and the PSE.

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

The increase in the Company's authorized capital stock will be submitted for approval of the stockholders at the annual meeting of the stockholders of the Company on April 23, 2021. The Company will be filing an application for the increase in authorized capital stock from Php11,740,000,000.00 divided into 1,174,000,000 common shares to Php29,500,000,000.00 divided into 2,950,000,000 common shares, upon approval by the Company's stockholders of the increase in authorized capital stock.

Subject to the approval of the stockholders on the Company's annual stockholders meeting on April 23, 2021, 483,254,375 primary common shares out of the 1,776,000,000 common shares subject of the increase will be issued to ALI, and the Subsidiaries in exchange for the Properties, valued at Php15,464,140,000.00, under a property-for-share swap with transaction price of Php32.00 per share, to be validated by a fairness opinion issued by PwC. The rest of the common shares subject of the increase will be used for future acquisitions and allowable investments in accordance with Republic Act No. 9856, otherwise known as the Real Estate Investment Trust Act of 2009, and its Implementing Rules and Regulations (REIT Law).

The Company will apply for the additional listing of the shares resulting from the increase in

authorized capital stock. The majority vote representing the outstanding shares held by the minority stockholders present and represented in the Annual Stockholders' Meeting shall likewise be obtained for the issuance of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by ALI and the Subsidiaries, as part of the requirements of the Exchange in connection with the additional listing of shares with the Exchange.

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 if property is transferred to a corporation by a person in exchange for stock or unit of participation in such corporation of which as a result of such exchange said person, alone or together with others, not exceeding four (4) persons, gains 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 increase in authorized capital stock with the SEC within May 2021, and an application for the tax-free exchange ruling with the Bureau of Internal Revenue ("BIR") within June 2021. The SEC's approval of the increase in capital stock and the BIR's issuance of a tax-free exchange ruling are expected to be issued within the year. The Company shall likewise apply for the additional listing of shares with the Exchange within the year. The indicative timetable for implementation of the Transaction is as follows:

Indicative Timetable for Implementation

Annual Stockholders' Meeting	April 23, 2021
Deed of Exchange Execution	May 2021
SEC Approval (Increase in Authorized Capital Stock, Issuance of Shares, and Transaction)	May to July 2021
BIR Ruling on Tax-Free Exchange (Filing and Issuance of Ruling)	July to November 2021
PSE Listing of Additional Shares	December 2021

Nature and amount of consideration

The Properties were valued by the Company at ₱15.46 Billion, and the transaction price was set at ₱32.00 per share, which are all within the range of fair values identified by PWC, and the Appraisal Reports issued by Asian Appraisal Company, Inc.

The shares will be issued by the Company to ALI, and the Subsidiaries at ₱32.00 per share which is based on AREIT Fund Managers, Inc.'s valuation of the shares, and which the Company believes is fair to both the Company, as the issuer, and ALI, and its Subsidiaries, as the subscribers. The issue price of ₱32.00 per share should be within the range of fair values based on a fairness opinion to be issued by PwC.

Subject to regulatory approvals, including the issuance of a favorable ruling from the BIR that the Transaction is a tax-free exchange under the Tax Code, as amended, and approval by the SEC of the Company's increase in authorized capital stock from the Shares will be issued, the Transaction will close upon the listing of the Shares with the PSE.

Valuation

The assets were valued using the Discounted Cashflows (DCF) Approach as the primary method to estimate the fair value of the AREIT shares and Properties. Under the DCF approach, PwC discounted the cashflows of the Company and the Properties based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model. The Direct Capitalization Approach and Market Approach were also used as secondary methods to cross-check the value of the Properties and the value of the Company's shares, respectively

Identities of the Beneficial Owners

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 complimentary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. ALI has ample experience in the real estate industry in the Philippines, focusing its business on strategic business lines, including property development, commercial leasing, hotels and resorts, and real estate-adjacent services.	ALI is the Sponsor of AREIT, and as of the date hereof, directly and indirectly owns 54.43% of AREIT shares, as follows: ALI – direct ownership of 461,977,093 shares equivalent to 45.04209% ALO – indirect ownership of 96,292,435 shares equivalent to 9.38837% ALO is 100% owned by ALI
Westview Commercial Ventures Corp.	Westview real estate corporation and owner of commercial buildings located in Negros Occidental. It is primarily engaged in the business of leasing retail and offices spaces. It is registered with the Philippine Economic Zone Authority ("PEZA") as an Economic Information IT Facility Enterprise.	Westview is a wholly-owned subsidiary of ALI.
Glensworth Development, Inc.	GDI is a real estate corporation and owner of One Evotech and Two Evotech that are being leased out for office and commercial spaces.	GDI is a wholly-owned subsidiary of ALO. ALO is 100% owned by ALI. ALO owns 96,292,435 shares in AREIT equivalent to 9.38837%.

Additional Information on Westview Commercial Ventures Corp., and Glensworth Development, Inc.

Westview was duly registered with the SEC on July 8, 2008. It is primarily engaged in the business of leasing out retail and office spaces. It is a wholly-owned subsidiary of ALI. It is engaged primarily in leasing office and retail spaces. It has interests in The District North Point in Negros Occidental, and is the owner of Ayala North Point Technohub in Talisay City, Negros Occidental, and Bacolod Capitol Corporate Center, located in North Capitol Drive, Bacolod City.

GDI was duly registered with the SEC on August 23, 2007. It is primarily engaged in the business of leasing out retail and office spaces. It is a wholly-owned subsidiary of ALO, which in turn is a wholly-owned subsidiary of ALI. It is engaged primarily in leasing office and retail spaces. It is the owner of One Evotech and Two Evotech buildings in Nuvali, Santa Rosa, Laguna.

Ownership Structure of the Company Before and After the Transaction

Stockholder	Current (as of March 23, 2021; before property for share swap)		Indicative Post-Transaction (after increase in authorized capital stock and property for share swap)	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
ALI	461,977,093	45.04%	801,641,624	53.13%
ALO	96,292,435	9.39%	96,292,435	6.38%
Westview	0	0%	37,443,313	2.48%
GDI	0	0%	62,146,531	4.12%
Non-ALI/Public	467,386,907	45.57%	511,386,907	33.89%
TOTAL	1,025,656,435	100.00%	1,508,910,810	100.00%

The Company shall ensure that ALI sells some of its shareholdings in the Company prior to the execution of the property-for-share swap in order to ensure compliance with the minimum public ownership requirements imposed upon the Company.

Item 14. Restatement of Accounts

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2019. The Company will also adopt several amended and revised standards and interpretations in 2021 and onwards.

Please refer to Note 2 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2019 and new PFRS and IFRIC that will be effective in 2021 and onwards.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

- (a) Approval of the Minutes of the 2020 annual meeting of stockholders held on June 23, 2020 covering the following matters:
- Ratification of all resolutions adopted by the Board of Directors and the acts of Management beginning April 4, 2019 until June 23, 2020;
 - Election of the members of the Board, including the Independent Directors;
 - Approval of the 2019 audited financial statements;
 - Approval of the Public Offering and other arrangements;
 - Election of the external auditor and fixing of its remuneration; and

The minutes of the 2020 Annual Stockholders Meeting had been uploaded to the Company's website within five (5) days from the date of the meeting and may be viewed through the following link: <https://areit.com.ph/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings>

The minutes contain the following information:

- A description of the voting and vote tabulation procedures used in the previous meeting;
 - A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answered given;
 - The matters discussed and resolutions reached;
 - A record of the voting results for each agenda item; and
 - A list of the directors, officers and the percentage of outstanding and voting shares of stockholders who attended and participated in the meeting.
- (b) Approval of the annual report of the Management for the year ending December 31, 2020, including the 2020 audited financial statements.

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

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

Item 17. **Amendment of Charter, Bylaws or Other Documents**

The approval of the stockholders will be sought for the following amendments to the Articles of Incorporation of the Company, as approved by our Board of Directors during its regular meeting on October 22, 2020, and special meeting on March 16, 2021, respectively:

- (a) In the Sixth Article of the Articles of Incorporation and Article III, Section 2 of the By Laws to increase the number of directors from seven (7) to eight (8).

As proposed to be amended, the Article VI of the Articles of Incorporation will read as follows:

SIXTH. The number of directors of the Corporation shall be eight (8). Three (3) or such number as may be required by the REIT Act shall be independent. *(as amended on June 27, 2013; further amended in a meeting of the Board of Directors and stockholders on September 26, 2018; and as further amended by the Board of Directors and stockholders on 22 October 2020 and 14 April 2021, respectively)*

The increase in the number of directors would enhance diversity of the Board bringing in more experience, wisdom, and knowledge into the decision-making process, thereby making our Board more robust.

- (b) In the Seventh Article of the Articles of Incorporation to increase the authorized capital stock of the Company from ₱11,740,000,000.00 to ₱29,500,000,000.00 in view of the proposed property-for-share swap between the Company and Ayala Land, Inc.

As proposed to be amended, the Article VI of the Articles of Incorporation will read as follows:

SEVENTH. The authorized capital stock of the Corporation is Twenty-Nine Billion Five Hundred Million Pesos (₱29,500,000,000.00), in lawful money of the Philippines, divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) Common shares with a par value of Ten Pesos (₱10.00) per share.

No stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Corporation, whether issued from its unissued capital, increase in its authorized capital, or its treasury stock. *(as amended on December 20, 2006; further amended on May 11, 2008; further amended on July 6, 2015; further amended in a meeting of the Board of Directors and stockholders on September 26, 2018; and as further amended by the Board of Directors and stockholders on March 16, 2021 and April 23, 2021, respectively)*

The increase in authorized capital stock would enable AREIT to grow its assets under management through a property-for-share swap.

- (c) Various sections of the By-Laws as summarized in the attached Annex "F".

Item 18. **Other Proposed Action**

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

The acts of the Board of Directors and officers from June 23, 2020 to April 23, 2021, include –

- Engagement of foreign underwriters and international counsels;
 - Ratification and confirmation of the actions of the Board Committees;
 - Election of officers;
 - Appointment of chairmen and members of the Board committees;
 - Amendment of Articles of Incorporation and By-Laws;
 - Acquisition of various parcel of land and properties;
 - Power Supply Agreement;
 - Debt and/or funding plan;
 - Establishment of short-term credit facilities;
 - Declaration of cash dividends;
 - Schedule of the 2021 annual meeting of the stockholders;
 - 2021 budget;
 - Holding of fully virtual annual stockholders' meeting and use of Globe Studios for broadcasting of the meeting;
 - Delegation to the Corporate Governance and Nomination Committee of the authority to approve the final list of nominees to the Board of Directors;
 - Delegation of authority to amend the By-Laws;
 - Rescheduling of the 2021 annual meeting of the stockholders;
 - Registration with Anti-Money Laundering Council and appointment of Anti-Money Laundering Compliance Officer;
 - Property swap for share; and
 - Change in accounting method for investment property
- (b) Approval of the issuance of 483,254,375 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc. and its subsidiaries valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (P15,464,140,000.00), under a property-for-share swap;
- (c) Approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc. as part of the requirements of the Philippine Stock Exchange for the listing of additional shares (Article V, Part A, Section 5 of the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange);
- (d) Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of Directors;
- (e) Election of the members of the Board for the ensuing year, including the independent directors and the new director to fill the directorship by reason of the increase in the number of directors;
- (f) Election of the external auditor and fixing of its remuneration.

Item 19. **Voting Procedures**

- (a) **Vote required:** The affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of all matters presented to the stockholders for decision, except for the amendment of the Articles of Incorporation, and the delegation of authority to the Board of Directors to amend the By-Laws which require the affirmative vote of at least two-thirds of the outstanding capital stock of the Company. The election of directors is by plurality of votes. The majority vote representing the outstanding shares held by the minority stockholders present or represented in the meeting shall likewise be obtained for the issuance of waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, as part of the requirements of the Philippine Stock Exchange in connection with the additional listing of shares with the Philippine Stock Exchange.
- (b) **Method of Voting:** Straight and Cumulative Voting

In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one (1) vote. In view of the Regulations, as explained in Item 20 below,

stockholders will only be allowed to vote by appointing the Chairman of the meeting as their proxy or electronically *in absentia*.

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

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

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this DIS, and shall be received by the Corporate Secretary at corporate.secretary@areit.com.ph on or before April 14, 2021.

All votes will be counted and tabulated by the Committee of Inspectors of Proxies and Ballots and the results will be validated by an independent third party.

Item 20. Participation of Shareholders by Remote Communication

To comply with applicable regulations prohibiting mass gatherings and/or requiring social distancing to prevent the spread of COVID-19 (the "Regulations") and to ensure the safety and welfare of our stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication, as set forth below, and by voting *in absentia*, as provided in Item 4(c) and Item 19 above, or voting through the Chairman of the meeting as proxy.

To enable the Company to identify the shareholders participating by remote communication and record their presence for purposes of quorum, the shareholders shall inform the Company by email to corporatesecretary@ayalaland.com.ph on or before April 14, 2021, of their participation in the meeting by remote communication. Further, stockholders may participate by remote communication by clicking on the Meeting livestreaming access button which will be available on the Stockholder's dashboard in the VIASH System on the date set for the Meeting as indicated in the Company's Notice of Meeting.

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 30th day of March 2021.

AREIT, INC.



SOLOMON M. HERMOSURA
Corporate Secretary

ANNEX “A”

2021 ANNUAL STOCKHOLDERS’ MEETING
OF
AREIT, INC.
(THE “MEETING”)

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

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

I. ELECTRONIC VOTING IN ABSENTIA

1. Stockholders as of March 23, 2021 (“Stockholders”) have the option of electronic voting *in absentia* on the matters in the Agenda, after complete registration and successful validation in the VIASH System. Stockholders with e-mail addresses on record shall be sent an e-mail with a link to the VIASH System. To register in the VIASH System, Stockholders shall simply follow the instructions sent in the e-mail.
2. Otherwise, Stockholders may access the link <http://www.ayalagroupshareholders.com/> to create an account and register in the VIASH System. Stockholders should complete the online registration form and submit for validation together with the requirements provided in Item 4 below.
3. All registered accounts shall be subject to the validation process set forth. The deadline for registration to vote *in absentia* is April 14, 2021. The VIASH System will be open for registration on **March 31, 2021**.
4. The following are needed for registration:
 - 4.1 For individual Stockholders –
 - 4.1.1 A recent photo of the Stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
 - 4.1.2 A scanned-copy of the Stockholder’s valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
 - 4.1.3 A valid and active e-mail address;
 - 4.1.4 A valid and active contact number;
 - 4.2 For Stockholders with joint accounts –

A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;
 - 4.3 For Stockholders under Broker accounts –
 - 4.3.1 A broker’s certification on the Stockholder’s number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;
 - 4.3.2 A recent photo of the stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;

- 4.3.3 A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
 - 4.3.4 A valid and active e-mail address;
 - 4.3.5 A valid and active contact number;
- 4.4 For corporate Stockholders –
- 4.4.1 A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
 - 4.4.2 A recent photo of the Stockholder's representative, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
 - 4.4.3 A scanned copy of the valid government-issued ID of the Stockholder's representative showing photo and personal details, preferably with residential address (in JPG or PDF format). The file-size should be no larger than 5MB;
 - 4.4.4 A valid and active e-mail address of the Stockholder's representative;
 - 4.4.5 A valid and active contact number of the Stockholder's representative.

Important Notes:

- Stockholders who are also stockholders as of record date of the other publicly listed corporations in the Ayala group need only to register one account in the VIASH System. The digital absentee ballot for each corporation shall be separately accessed from the Stockholder's Dashboard in the VIASH System and votes shall be cast per corporation.
 - Considering the prevailing extraordinary circumstances in relation to COVID-19, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later time.
 - Incomplete or inconsistent information may result in an unsuccessful registration. As a result, Stockholders will not be allowed access to vote electronically *in absentia*, but may still vote through the Chairman of the Meeting as proxy, by submitting a duly accomplished proxy form, on or before April 14, 2021.
5. The validation process in the VIASH System will be concluded by the Company no later than three (3) business days from the date of the Stockholder's complete registration. The Stockholder's dashboard in the VIASH System will indicate the status of registration.
- Once validated, the Stockholder will receive an e-mail confirmation on their successful registration. Registered Stockholders have until the end of the Meeting to cast their votes *in absentia*.
6. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot in the VIASH System and the registered Stockholder may vote as follows:
- 6.1 For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
 - 6.2 For the Election of Directors, the registered Stockholder may either: (1) vote for all nominees, (2) not vote for any of the nominees, or (3) vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

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

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

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

7. The Office of the Corporate Secretary will tabulate all votes cast *in absentia* together with the votes cast by proxy, and a firm selected for this purpose will validate the results.

II. PARTICIPATION BY REMOTE COMMUNICATION

1. Stockholders as of March 23, 2021 ("Stockholders") are required to register in the VIASH System to participate in the Meeting on April 23, 2021 by remote communication. A Meeting livestreaming access button will be available in the Stockholder's dashboard in the VIASH System on the date set for the Meeting as indicated in the Corporation's Notice of the Meeting.
2. The procedure and requirements for registration in the VIASH System are found in the Electronic Voting *in Absentia* section in this Annex. The deadline for registration to participate by remote communication is on April 14, 2021.
3. In addition to their registration in the VIASH System, Stockholders are requested to notify the Company by e-mail to corporate.secretary@areit.com.ph by April 14, 2021 of their intention to participate in the Meeting by remote communication.
4. Only the Stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the Stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum at the Meeting.
5. Stockholders participating by remote communication may vote anytime until the end of the Meeting using the digital ballot in the VIASH System.
6. Stockholders may send their questions and/or remarks prior to or during the Meeting by e-mail to corporate.secretary@areit.com.ph.
7. A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted by e-mail to corporate.secretary@areit.com.ph.

For any clarifications, please contact our Office of the Corporate Secretary through corporate.secretary@areit.com.ph.

ANNEX “B”

DIRECTORS AND KEY OFFICERS (as of December 31, 2020)

The write-ups below include positions held as of December 31, 2020 and in the past five years, and personal data as of December 31, 2020 of directors and executive officers.

Board of Directors

Jose Emmanuel H. Jalandoni, Chairman of the Board
Carol T. Mills, President and Chief Executive Officer
Bernard Vincent O. Dy
Augusto D. Bengzon
Omar T. Cruz
Enrico S. Cruz
Simeon S. Cua

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

Carol T. Mills, Filipino, 49, has served as the Company's President since February 10, 2014 and President and Chief Operating Officer since April 4, 2019. She is a Vice President of Ayala Land, Inc. She is also the President of Ayala Land Offices, Inc. She is Chairman and President of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp as well as Director of North Triangle Depot Commercial Corp., ALI Capital Corp., DirectPower Services, Inc. and Central Block Developers Inc. She joined ALI in 1993 and prior to her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

Bernard Vincent O. Dy, Filipino, 57, has served as a Director of AREIT, Inc. since April 4, 2019. He is the President and Chief Executive Officer of Ayala Land, Inc. and concurrently serves as a Senior Managing Director and member of the Ayala Group Management Committee of Ayala Corporation. He is also the Chairman of Cebu Holdings, Inc. and Director AREIT, Inc. and MCT Bhd of Malaysia. All are publicly listed companies. His other significant positions include: Chairman of Ayala Property Management Corporation, Makati Development Corporation, Alveo Land Corporation, Amaia Land Corporation, Bellavita Land Corporation, Altaraza Development Corporation Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corporation., Philippine Integrated Energy Solutions, Inc., Avencosouth Corp., and Nuevocentro, Inc. He also serves as Vice Chairman of Ayala Greenfield Development Corporation and Alviera Country Club, Inc. He is also President of President of Bonifacio Land Corporation; Emerging City Holdings, Inc.; Columbus Holdings, Inc.; Berkshires Holdings, Inc.; Fort Bonifacio Development Corporation; Aurora Properties Incorporated; Vesta Property Holdings, Inc.; Ceci Realty Inc.; Alabang Commercial Corporation; and Accendo Commercial Corporation. Mr. Dy also serves as Director of Avida Land Corporation, Amicassa Process Solutions, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Serendra, Inc., Alveo-Federal Land Communities, Inc., ALI Eton Property Development Corporation, and AKL Properties, Inc. He is the President of Hero Foundation Inc. and Bonifacio Art Foundation, Inc. He is also a member of Ayala Foundation, Inc. and Ayala Group Club, Inc. In 2015, he was inducted as member of the Advisory Council of the National Advisory Group for the Police Transformation Development of the Philippine National Police. He has also been a Director of the Junior Golf Foundation of the Philippines since 2010 and has served as Vice Chairman since 2017. He earned a Bachelor's 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.

Augusto D. Bengzon, Filipino, 58, has served as a Director and the Treasurer of AREIT, Inc. since April 4, 2019. He also currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, Chief Compliance Officer & Treasurer. He is the Treasurer of Cebu Holdings Inc. and a Director of AyalaLand Logistics Holding Corp., the publicly listed subsidiaries of ALI. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc.; Director, Treasurer & Compliance Officer of Anvaya Cove Golf and Sports Club Inc.; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWestProperties Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc., Serendra Inc. and Vesta Property Holdings Inc.; Director & Assistant Treasurer of Ayala Greenfield Development Corp.; Director of AG Counselors Corporation, Alviera Country Club Inc., Alveo Land Corp., Ayala Land Premier, Inc., Makati Development Corp., Nuevocentro Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Station Square East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc. and Hero Foundation, Inc.; Assistant Treasurer of Ayala Greenfield Golf & Leisure Club, Inc. and Trustee of Fe del Mundo Medical Center Phil, Inc. and Philippine National Police Foundation, Inc. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

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

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

Simeon S. Cua, 63, is AREIT's independent director since April 4, 2019. On June 19, 2017, he was re-elected and presently the President & Chief Executive Officer of the Philippine Racing Club, Inc. (PRCI). He joined PRCI in June 2006 as Executive Vice President for Property Management. In addition to his role as an independent Director, he serves as Chairman of Santi Village Development, Inc.; President and Chief Executive Officer of Cualoping Securities Corporation, Philippine Newtown Global Solutions, Inc., Palm Integrated Commodities, Inc., and Davao Newtown Development, Inc.; President of Greater Buhangin Housing Development, Inc. and Davao Golden Century Properties, Inc.; and, Director of PRCI Circuit Makati, Inc., Davao Samal Golden Village, Inc., and Sta. Lucia Land, Inc. He obtained his Bachelor of Science in 1977 and his Bachelor of Laws in 1982 both from the Ateneo de Manila University.

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

All the incumbent directors, and Ms. Mariana Zobel de Ayala.

Mariana Zobel de Ayala, Filipino, 32, is a Director of Cebu Holdings, Inc. since April 14, 2020. She is currently the Vice President for Retail Marketing and Customer Insighting & Analytics for Bank of the Philippine Islands. She also serves on the board of a number of Ayala Group companies across BPI, Ayala Land, AC Health, and ACTIVE Fund. She joined Ayala Corporation's Strategy and Business Development team in 2013. She was then seconded to Ayala Land, Inc. as a Project Development Associate for Alveo Land Corp. from 2015 to 2016 where she supported design, planning, and sales launch of a number of residential and commercial projects for Alveo. She then transferred to the Ayala Malls Group from 2016-2019 where, most recently, she served as Deputy Head. She began her career as an Analyst at J.P. Morgan's New York office. She earned a Bachelor of Arts Degree in Social Studies (Philosophy, Politics, & Economics) from Harvard University, and a Masters in Business Administration from INSEAD.

Management Committee Members / Key Executive Officers

Carol T. Mills*	President and Chief Executive Officer
Augusto D. Bengzon*	Treasurer
Elaine Marie F. Alzona	Chief Finance Officer and Chief Compliance Officer
Solomon M. Hermosura	Corporate Secretary
June Vee D. Monteclaro-Navarro	Assistant Corporate Secretary
Nimfa Ambrosia L. Perez-Paras	Assistant Corporate Secretary
Michael Anthony L. Garcia	Investor Relations Officer
Amelia Ann T. Alipao	Data Protection Officer
Rowena P. Libunao**	Chief Audit Executive

**Member of the Board of Directors*

***As of 24 February 2021*

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

Solomon M. Hermosura, Filipino, 58, has served as the Corporate Secretary of AREIT, Inc. since April 4, 2019. He is a Managing Director of Ayala Corporation and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee. He is the Group Head of Corporate Governance, Chief Legal Officer, Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He also serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, 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.

June Vee D. Monteclaro-Navarro, Filipino, 49, has served as the Assistant Corporate Secretary of AREIT, Inc. since April 4, 2019. She is a Vice President and the Chief Legal Counsel of ALI. She is also the Corporate Secretary of Cebu Holdings, Inc. and AyalaLand Logistics Holdings Corp., the other publicly listed subsidiaries of ALI. She is the Corporate Secretary of Alveo Land Corp., Avida Land Corp., AKL Properties, Inc., ALI Eton Property Development Corporation and Altaraza Development Corporation. She served as Director (management position) and Corporate Secretary of Ayala Group Legal from 2012 to 2020. She was a Legal Officer at Ayala Land, Inc. from 2007 to 2012. Prior to joining Ayala Group, she was a Senior Associate at SyCip Salazar Hernandez & Gatmaitan from 1997 to 2002. She graduated from the University of St. La Salle in Bacolod with a Bachelor of Arts with a Major in Economics and a Bachelor of Science in Commerce Major in Data Processing in 1993. She earned a Bachelor of Laws degree from the University of the Philippines in 1997. She finished the Program on Negotiation at Harvard Law School in 2012 and the Leadership in Corporate Counsel Executive Education at Harvard Law School in 2016.

Nimfa Ambrosia L. Perez-Paras, Filipino, 55, is an Assistant Corporate Secretary of AREIT, Inc. since April 4, 2019. She was the Company's Corporate Secretary from August 2014 to April 4, 2019. She is Senior Counsel and Head of the Corporate Services and Compliance Unit at Ayala Group Legal, a role she has held since 2014. She is the Assistant Corporate Secretary of Cebu Holdings, Inc. and AyalaLand Logistics Holdings Corp., the other publicly listed subsidiaries of ALI. She handles various corporate secretarial functions for a number of companies within the Group. Prior to joining Ayala Group Legal in February 2014, she was a State Counsel at the Department of Justice. She also worked at the Regional Trial Courts of Makati and Quezon City. In the private sector, she has worked as Legal Counsel for Coca-Cola Bottlers Philippines, Inc., RFM Corporation, and Roasters Philippines, Inc. She graduated from the University of Santo Tomas with a Bachelor of Arts in Economics in 1986. She then secured a Bachelor of Laws from the Manuel L. Quezon School of Law in 1990. She finished the Program on Negotiation and Leadership at Harvard Law School in 2018.

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

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

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Ayala Land REIT, Inc.	Independent Director	2019 – present
CRUZ-FABZ FOOD CORP.	President & Chairman	2019 – present
ABACORE Capital Holdings, Inc.	Independent Director	2019 – present
De La Salle Philippines	Investment Committee Chairman	2018 – present
Financial Executives Institute of the Philippines (FINEX)	Trustee	2016 – present
University of Asia and the Pacific	Trustee and Executive Committee Member	2016 – present
Philippine National Police Foundation, Inc.	Trustee	2016 – present
Center for Research and Communication Foundation, Inc.	Trustee and Board Executive Committee Member	2016 – present

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

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

Done, this FEB 16 2021 day of _____, at MAKATI CITY

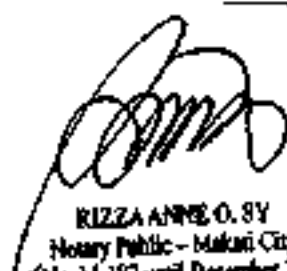

Omar T. Cruz
Affiant

SUBSCRIBED AND SWORN to before me this FEB 16 2021 day of MAKATI CITY
affiant personally appeared before me and exhibited to me his DANER LICENSE: N1592090106 EXP DATE: 02 DEC 2021

Doc. No. 69
Page No. N
Book No. 11
Series of 2021.

Notarized TEST pursuant to
Sec. 189 of the Tax Code
affixed on Notary 2.5% copy




RIZZA ANNE O. SY
Notary Public - Makati City
App. No. 14-187 until December 31, 2020
Roll of Attorneys No. 64676
License IBP No. 018509 - 01/04/18 - Bulacan
PTR No. 8523982ME - 01/04/2021 - Makati City
MCLE Compliance No. Y1 - 0009493 - 06/28/2018
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of **AREIT, Inc.** (the "Corporation") and have been its independent director since February 5, 2020.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Security Bank Corporation	Independent Director	Aug. 1, 2019 to present
Maxicare Corporation	Independent Director	Aug. 14, 2019 to present
SB Capital Corporation	Vice Chairman/ Independent Director	May 2020 to present
<i>CIBI Inc. Information Inc</i>	Independent Director	July 2020 to present
<i>Davin Holdings Corp.</i>	Independent Director	Nov 2020 to present


Davin Capital

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

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

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

Done, this 26 day of FEB 26 2021 at MAKATI CITY



Affiant


MAKATI CITY

SUBSCRIBED AND SWORN to before me this FEB 26 2021 day of FEB 26 2021 at _____
affiant personally appeared before me and exhibited to me his/her PASAPORT NO: P05434138
issued at DOH NCR EAST on 05 NOVEMBER 2014

Doc. No. 150 ;
Page No. 31 ;
Book No. 13 ;
Series of 2021 ;

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




RIZZA ANNE O. SY
Notary Public - Makati City
App. No. M-137 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 64676
Lifetime IBP No. 018509 - 01/04/18 - Bulacan
PTR No. 8533962ME - 01/04/2021 - Makati City
MCLE Compliance No. VI - 0009493 - 06/20/2018
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenace
Makati City, Philippines

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SIMEON S. CUA**, Filipino, of legal age and a resident of L3-059 Ayala Malls Circuit Makati City, after having been duly sworn to in accordance with law do hereby declare that:

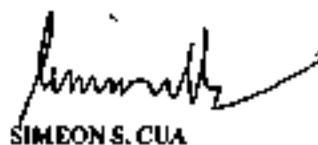
1. I am an Independent director of AREIT, Inc. (the "Corporation") and have been its independent director since 2019.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Santa Village Development, Inc.	Chairman	2003 up to present
Philippine Racing Club, Inc.	President & Chief Executive Officer	2015 up to present
Cualting Securities Corp.	President & Chief Executive Officer	2010 up to present
Philippine Newtown Global Solutions, Inc.	President & Chief Executive Officer	2012 up to present
Palm Integrated Commodities, Inc.	President & Chief Executive Officer	2011 up to present
Davao Newtown Development, Inc.	President & Chief Executive Officer	2019 up to present
Greaser Buhangin Housing Development, Inc.	President	2000 up to present
Davao Golden Century Properties, Inc.	President	2020 up to present
PRCI Circuit Makati, Inc.	Director	2014 up to present
Davao Saanal Golden Village, Inc.	Director	2010 up to present
Sta. Lucia Land, Inc.	Director	2018 up to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director, officer or substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes to the abovementioned information within five days from its occurrence.



Done, this **MAR 10 2021** day of **March**, 2021, at City of Makati, Philippines.



SIMEON S. CUA

Affirm

MAR 10 2021

SUBSCRIBED AND SWORN to before me this _____ day of _____ at **MAKATI CITY**, affiant personally appeared before me and exhibited to me his LTO Driver's License No. L02-02-164179 issued at Manila City on October 25, 2019.

Doc No. 244;
Page No. 10;
Book No. 36;

Series of 2021



ATTY. JOSHUA P. LAPUZ

Notary Public Makati City

Until Dec. 31, 2021

Appointment No. M-66-(2020-2021)

PTR No. 8531012 Jan. 4, 2021 / Makati

IBP Lifetime No. 04897 RCH No. 45790

MCLE Compliance No. VH-0016565

G/F Fedman Bldg., 199 S. Alcedo St.

Legaspi Village, Makati City

ANNEX “C”

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

Review of 2020 operations vs 2019

In 2020, net income after tax of AREIT, Inc. (AREIT or “the Company”) decreased by 3% from ₱1,261.41 million in 2019 to ₱1,227.18 million in 2020. The decrease was primarily driven by the one-time gain from finance lease recognized in 2019 amounting to ₱397.14 million.

Revenues

Total revenues increased by 25% from ₱1,563.08 million in 2019 to ₱1,951.63 million in 2020. This was mainly driven by higher rental income and net dues.

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

Dues increased by 59% from ₱192.32 million in 2019 to ₱305.09 million in 2020. The increase was due to lower utilities consumption and lower manpower deployment during quarantine period.

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

Cost and Expenses

Direct operating expenses increased by 34% from ₱436.02 million in 2019 to ₱585.30 million in 2020. The increase was primarily attributable to an increase in management fee of ₱62.31 million, an increase in taxes and licenses of ₱38.18 million, an increase in depreciation of ₱34.95 million and an increase in land lease of ₱13.03 million. These increases were related to the operations of McKinley Exchange Corporate Center and Teleperformance Cebu.

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

Other Income (charges)

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

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

Provision for Income Tax

Provision for income tax decreased by 64% from ₱294.45 million in 2019 to ₱106.58 million in 2020. This decrease was mainly due to derecognition of deferred taxes.

Capital Expenditure

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

Causes for any material changes (+/- 5% or more) in the financial statements

Balance Sheet items - December 2020 versus December 2019

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

Receivables increased by 20% mainly due to additional intercompany loans.

Other current assets increased by 78% due to higher input VAT and creditable withholding taxes.

Investment properties up by 34% due to the acquisition of Teleperformance Cebu building and right-of-use-asset for the lease of McKinley Exchange Corporate Center.

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

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

Construction bonds Nil in 2020 due to refund to tenants.

Noncurrent liabilities increased by 134% due to PFRS 16 recognition of lease liability

Financial Condition

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

The Company has no debt as of December 31, 2020.

Return on equity was at 11% as of December 31, 2020.

Key Financial Ratios	2020	2019
Current Ratio ⁽¹⁾	3.72	4.35
Debt to Equity ⁽²⁾	-	-
Profitability Ratios		
Return on Asset ⁽³⁾	9%	11%
Return on Equity ⁽⁴⁾	11%	12%
Asset to Equity Ratio ⁽⁵⁾	1.19	1.11

⁽¹⁾ Current assets/current liabilities

⁽²⁾ Total debt/Average Stockholder's equity

⁽³⁾ Total Net Income/Average Total Assets

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

⁽⁵⁾ Total asset/Total Stockholder's equity

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

Operational and financial impact of COVID19

All of the Company's properties were operational throughout 2020, including the period when the Enhanced Community Quarantine was imposed. Office occupancy was stable with no waivers or pre-terminations. The serviced residences in Ayala North Exchange remained open as well and continued to pay a fixed lease. Retain tenants that were affected by the government-imposed community quarantines were granted rent concessions, in accordance with government guidelines, amounting to P37.59 million.

Summary of Real Estate transactions for 2020

Other than the usual lease contracts entered into with tenants, and the existing land leases with landowners, on January 31, 2020, the Company entered into a contract of lease with Ayala Land, Inc., wherein the leased the building known as McKinley Exchange Corporate Center (MECC) and the land on which it is built, for an initial monthly rent of P2,733,078 per month, subject to annual escalation of 5% per annum, with the lease commencing on February 1, 2020, and existing for a period of 34 years.

Likewise, on September 15, 2020, the Company and ALO Prime Realty Corporation (APRC) entered into a Deed of Absolute Sale wherein APRC sold, conveyed, transferred, assigned, and delivered to the Company a 12-storey building, inclusive of two (2) basement parking levels, located at Inez Villa Street, Cebu I.T. Park, Barangay Apas, Cebu City (Teleperformance Cebu), for a consideration amounting to P1,450.00 million, inclusive of value-added taxes.

Property Performance (as of December 31, 2020)

	Solaris	Ayala North Exchange	MECC	TP Cebu
Location	Makati	Makati	Makati	Cebu
Acquisition cost (in millions)	P1,767 M	P6,913 M	n/a	P1,450 M
Valuation cost (in millions)	P12,537 M	P13,810 M	P2,072 M	P2,510 M
Occupancy rates	97%	98%	99%	100%
WALE (years)	4	13	2	6
Remaining Land lease term	27	37	33	30
Revenue Contribution in Year 2020	40%	51%	6%	3%
Cost contribution in Year 2020	30%	62%	5%	3%

Valuation cost per Appraisal reports dated June 2020, except for Teleperformance Cebu dated March 2021

	Solaris	Ayala North Exchange	MECC	TP Cebu	Total
Rental Income	P544 M	P919 M	P97 M	P38 M	P1,599 M
Gross Revenues	P781 M	P1,000 M	P119 M	P52 M	P1,952 M
	40%	51%	6%	3%	
DOE	P127 M	P220 M	P7 M	P7 M	
Depreciation	P46 M	P145 M	P22 M	P13 M	
	P173 M	P364 M	P29 M	P19 M	P585 M
	30%	62%	5%	3%	

Review of 2019 operations vs 2018

AREIT's net income increased by 135% from ₱537.09 million in 2018 to ₱1,261.41 million in 2019. Growth was primarily driven by rental income from Ayala North Exchange which AREIT acquired in October 2018 and from the one-time gain from finance lease recognized in 2019 amounting to ₱397.14 million.

Revenues

Total revenues increased by 81% from ₱865.33 million in 2018 to ₱1,563.08 million in 2019. This was mainly driven by higher rental income and net dues.

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

Dues increased by 14% from ₱169.31 million in 2018 to ₱192.32 million in 2019. The increase was primarily attributable to dues from new tenants in Ayala North Exchange.

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

Costs and expenses

Direct operating expenses increased by 141% from ₱181.01 million in 2018 to ₱436.02 million in 2019. The increase was primarily attributable to an increase in depreciation of ₱114.63 million, an increase in taxes and licenses of ₱67.10 million, an increase in land lease costs of ₱57.88 million, in management fee of ₱8.27 million, and an increase in insurance of ₱4.51 million. These increases were related to the operations of Ayala North Exchange.

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

Other income (charges)

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

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

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

Provisions for income tax

Provision for income taxes increased by 105% from ₱143.77 million in 2018 to ₱294.45 million in 2019 following a higher taxable base.

Causes for any material changes (+/- 5% or more) in the financial statements

Balance Sheet items - December 2019 versus December 2018

Cash increased by 368% primarily due to higher cashflows from operating activities.

Other current assets increased by 33% due to higher input VAT and creditable withholding taxes.

Receivables (noncurrent portion) increased significantly due to the recognition of finance lease receivable for the lease of a portion of Ayala North Exchange Makati North Hotel Ventures, Inc.

Investment properties decreased by 24% as the carrying amount of the portion of Ayala North Exchange under finance lease was removed from investment properties.

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

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

Construction bonds increased by 306% due to bonds from new tenants in Ayala North Exchange.

Financial Condition

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

The Company has no debt as of December 31, 2019.

Return on equity was at 12% as of December 31, 2019.

Key Financial Ratios	2019	2018
Current Ratio ⁽¹⁾	4.35	4.93
Debt to Equity ⁽²⁾	-	-
Profitability Ratios		
Return on Asset ⁽³⁾	11%	8%
Return on Equity ⁽⁴⁾	12%	9%
Asset to Equity Ratio ⁽⁵⁾	1.11	1.10

⁽¹⁾ Current assets/current liabilities

⁽²⁾ Total debt/Average Stockholder's equity

⁽³⁾ Total Net Income/Average Total Assets

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

⁽⁵⁾ Total asset/Total Stockholder's equity

Review of 2018 operations vs 2017

AREIT posted a net income of ₱537.09 million in 2018, representing an earnings growth of 20% for the year. Growth was driven by the rental income from Ayala North Exchange, which was acquired in October 2018 and from annual rent escalations of leases in Solaris One.

Revenues

Total revenue increased by 24% from ₱698.20 million in 2017 to ₱865.33 million in 2018.

Rental Income increased by 26% from ₱551.97 million in 2017 to ₱696.02 million in 2018. The increase was primarily attributable to income from Ayala North Exchange.

Dues increased by 16% from ₱146.24 million in 2017 to ₱169.31 million in 2018. The increase was primarily attributable to dues from new tenants in Ayala North Exchange

Costs and expenses

Direct operating expenses increased by 24% from ₱145.44 million in 2017 to ₱181.01 million in 2018. The increase was primarily attributable to an increase in depreciation of ₱28.69 million and an increase in land lease costs of ₱4.08 million. These increases were related to the start of operations of Ayala North Exchange.

General and administrative expenses decreased by 27% from ₱5.71 million in 2017 to ₱4.17 million in 2018 due to lower taxes and licenses paid in 2018.

Other income (charges)

Interest income increased by 71% from ₱10.06 million in 2017 to ₱17.17 million in 2018 due to a higher loan extended to Related Parties.

Interest expense increased significantly from ₱4.02 million in 2017 to ₱16.81 million in 2018 due to the accretion of security deposits from new tenants of Ayala North Exchange.

Provisions for income tax

Provision for income taxes increased by 35% from ₱106.88 million in 2017 to ₱143.77 million in 2018 following a higher taxable base.

Capital Expenditure

AREIT acquired Ayala North Exchange from Ayala Land, Inc. through a Deed of Assignment executed on October 5, 2018 for a consideration amounting to approximately P6,913.00 million.

Causes for any material changes (+/- 5% or more) in the financial statements**Balance Sheet items - December 2018 versus December 2017**

Cash increased by 52% primarily due to higher cash from financing activities.

Receivables (current portion) increased by 349% mainly due to higher receivables from Related Parties.

Other current assets increased by 62% due to higher input VAT and creditable withholding taxes.

Receivables (noncurrent portion) increased by 141% due to higher accrued rent resulting from the straight-line method of recognizing rental income.

Investment properties increased significantly due to the acquisition of Ayala North Exchange in October 2018.

Property and equipment decreased by 55% due to annual depreciation of equipment.

Other noncurrent assets increased significantly due to higher input VAT and creditable withholding taxes in 2018.

Accounts and other payables increased significantly due to higher taxes payable and payables to related parties.

Income tax payable increased by 174% due to higher provision for income tax.

Noncurrent liabilities increased by 159% due to advance rentals and security deposits received from new tenants of Ayala North Exchange.

Financial Condition

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

The Company has no debt as of December 31, 2018.

Return on equity was at 12% as of December 31, 2019.

<u>Key Financial Ratios</u>	2018	2017
Current Ratio ⁽¹⁾	4.93	6.16
Debt to Equity ⁽²⁾	-	-
Profitability Ratios		
Return on Asset ⁽³⁾	8%	23%
Return on Equity ⁽⁴⁾	9%	27%
Asset to Equity Ratio ⁽⁵⁾	1.10	1.20

⁽¹⁾ Current assets/current liabilities

⁽²⁾ Total debt/Average Stockholder's equity

- ⁽³⁾ *Total Net Income/Average Total Assets*
⁽⁴⁾ *Total Net Income/Average Stockholder's equity*
⁽⁵⁾ *Total asset/Total Stockholder's equity*

Risks

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

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

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

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

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

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

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

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

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

**Attention: Ms. Elaine Marie F. Alzona
 Chief Finance Officer and Chief Compliance Officer**

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

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

Philippine Stock Exchange Prices (in PhP/share)

	<u>High</u> <u>2020</u>	<u>Low</u> <u>2020</u>	<u>Close</u> <u>2020</u>
First Quarter	-	-	-
Second Quarter	-	-	-
Third Quarter	27.00	23.85	25.80
Fourth Quarter	30.00	25.50	29.35

The market capitalization of AREIT, Inc as of end-2020, based on the closing price of ₱29.35/share, was approximately ₱29.8 billion.

The price information as of the close of the latest practicable trading date March 26, 2021 is ₱33.20 per share.

B) Holders

The Company has 13 registered stockholders as of March 23, 2021.

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	PCD Nominee Corporation (Filipino)	445,475,204*	43.43318%
2.	Ayala Land, Inc.	426,792,293	41.61162%
3.	Ayalaland Offices, Inc.	96,292,435	9.38837%
4.	PCD Nominee Corporation (Non-Filipino)	57,031,396	5.56048%
5.	Jose Emilio Bidan Jamir and/or Maricris Concepcion Advincula Jamir	52,000	0.00507%
e	Sylvette Young Tankiang	13,100	0.00128%
7.	Bernard Vincent O. Dy	1	0.00000%
8.	Omar T. Cruz	1	0.00000%
9.	Carol T. Mills	1	0.00000%
10.	Jose Emmanuel H. Jalandoni	1	0.00000%
11.	Simeon S. Cua	1	0.00000%
12.	Enrico S. Cruz	1	0.00000%
13.	Augusto D. Bengzon	1	0.00000%

**inclusive of the 35,184,800 indirect shares of Ayala Land, Inc. and 3,528,507 indirect shares of the directors and officers.*

A list of the company's top 100 stockholders as of December 31, 2020 can be found through this link:

https://edge.pse.com.ph/openDiscViewer.do?edge_no=18f76409751e67555d542af6f1e997b9

C) Dividends

CASH DIVIDEND (Per Common Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
25.96	September 26, 2018*	September 26, 2018*	2018
0.09	March 25, 2019*	April 24, 2019*	April 24, 2019
0.01	December 19, 2019*	December 19, 2019	December 19, 2019
0.28	Aug. 17, 2020	Sept. 02, 2020	Sept. 15, 2020
0.31	Aug. 17, 2020	Sept. 02, 2020	Sept. 15, 2020
0.34	Nov. 17, 2020	Dec. 07, 2020	Dec 17, 2020

0.39	Feb. 24, 2020	Mar. 15, 2021	Mar. 25, 2021
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*during the period when the company was not a publicly listed company.

On September 26, 2018, the Company also declared a 5% coupon dividend amounting to P48.5M to Preferred B stockholders of record as of October 26, 2017. The Preferred B Shares of the Company were fully redeemed on September 26, 2018.

Dividend policy

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders are entitled to receive at least 90% of annual Distributable Income for the current year. For 2020, the first year that the Company has been listed as a REIT Company, total dividends declared amounted to ₱1,353.87 million representing 111% of the Distributable Income for the year:

Net Income	1,227,184,313
Less: Distribution Adjustment	(3,293,073)
Distributable Income	1,223,891,240

For 2020, dividends declared were as follows:

Payment Date	Aggregate Amount Paid
September 15, 2020	605,137,296.65
December 17, 2020	348,723,187.90
March 25, 2021*	400,006,009.65
Total Amount of Dividends Paid	1,353,866,494.20

% of Dividends to Distributable Income **111%**

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

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

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

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

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

	Dividends	Prior Year Net Income	% of Dividends
2017	362,500,000	425,775,536	85%
2018	384,000,000	446,780,761	86%
2019	961,297,669	537,091,374	179%

D) Recent Sale of Securities

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

E) Corporate Governance

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

ANNEX “D”

NATURE AND SCOPE OF BUSINESS

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

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

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

As of January 31, 2021, the Company's recurring income portfolio consists of 344 thousand square meters of gross leasable space among four commercial buildings in Metro Manila and four parcels of leased industrial land that meets AREIT’s investment criteria. The land on which the commercial buildings are built do not form part of the Company's asset portfolio and is not owned by the Company.

- **Solaris One**, a 24-storey, Grade A, PEZA-accredited commercial building previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sqm. of Gross Leasable Area, and 73,322 sqm. 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-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sqm. and its gross floor area is 120,154 sqm. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.
- **McKinley Exchange**, a 5-storey Grade A, PEZA-accredited mixed-use development, which began operations in 2015, with Gross Leasable Area of 10,687.50 sq. m., 9,633.32 sqm. of which is designated for commercial office leasing, and gross floor area of 14,598.40 sqm., on a plot of land with an area of 4,513 sqm., located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, AREIT entered into a Contract of Lease with the Sponsor for the lease of the office and retail building.
- **Teleperformance Cebu**, a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 18,092.66 sqm located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.

- ***The 30th Commercial Development***, located along Meralco Avenue in Pasig City, is a commercial building with a total GLA of 74,704 sqm composed of a 19-storey office tower with a GLA of 47,871 sqm and a 4-storey retail podium with a GLA of 26,833 sqm.
- ***Laguna Technopark Industrial Lots***, totaling 98,179 sqm, AREIT owns four parcels of industrial land located in Binan, Laguna, currently occupied by Integrated Micro-Electronics Inc. (IMI), under a long-term lease for its global manufacturing and technology solutions.

ANNEX “E”

AMENDMENTS TO THE BY-LAWS

AREIT, INC.

Amendments to the By-Laws

Article and Section Nos.	From	To
Art. II, Sec. 1	Annual/Regular Meetings. The annual meetings of stockholders shall be held every last Friday of May of each year, or if a legal holiday, then on the next business day following.	Annual/Regular Meetings. The annual meetings of stockholders shall be held <u>annually on any date after April 15 as determined by the Board of Directors.</u>
Art. II, Sec. 2	Special Meetings. Special meetings of the stockholders may be called by any of the following: (a) by resolution of the Board of Directors, at its own instance, or at the written request of stockholders representing at least one-third (1/3) of the outstanding capital stock, or (b) by order of the President. Such call shall state the purpose or purposes of the meeting.	Special Meetings. Special meetings of the stockholders may be called by any of the following: (a) by resolution of the Board of Directors, at its own instance, or at the written request of stockholders representing at least one-third (1/3) of the outstanding capital stock, or (b) by order of the President. Such call shall state the purpose or purposes of the meeting, <u>provided that at least one (1) week written notice shall be sent to all stockholders.</u>
Art. II, Sec. 3	Place of Meeting. Stockholders' meetings, whether regular or special, shall be held at the offices of the Corporation or at any place in Metro Manila designated by the Board of Directors.	Place of Meeting. Stockholders' meetings, whether regular or special, shall be held at the offices of the Corporation <u>or in the city where the principal office of the Corporation is located.</u>
Art. II, Sec. 4	Notice of Meeting. Notice for annual and special meetings of stockholders may be sent by the Secretary or Assistant Secretary by personal delivery or by sending the notice by, mail, telegraph, cable, facsimile, electronic-mail or other electronic means to each stockholder of record entitled to vote thereat at the address and/or facsimile, telegraph number or electronic mail address last known to the Secretary or Assistant Secretary of the Corporation, at least fifteen (15) days before the date of the meeting. Except where expressly required by law, no publication of any notice of a meeting of stockholders shall be required. Each stockholder shall provide his current residential or office address and electronic mail address to the Secretary not later than thirty (30) days after the regular meeting of the stockholders as provided for in Section 1 of Article II hereof, and shall notify the Secretary of any change in his residential or office address or electronic mail address within five (5) days from the said change. The Secretary shall maintain a record of the current residential or office address, and the electronic mail address of each stockholder of the Corporation. Any notice of any regular or special meeting sent by electronic mail to the last known electronic mail address of a	Notice of Meeting. Notice for annual and special meetings of stockholders may be sent by the Secretary or Assistant Secretary <u>to the stockholders primarily by electronic transmission or by such other manner as allowed by the Securities and Exchange Commission, such as physical service if there is no available electronic transmission to a relevant stockholder, at least twenty one (21) days</u> before the date of the meeting. Except where expressly required by law, no publication of any notice of a meeting of stockholders shall be required. Each stockholder shall provide his current residential or office address and electronic mail address to the Secretary not later than thirty (30) days after the regular meeting of the stockholders as provided for in Section 1 of Article II hereof, and shall notify the Secretary of any change in his residential or office address or electronic mail address within five (5) days from the said change. The Secretary shall maintain a record of the current residential or office address, and the electronic mail address of each stockholder of the Corporation. Any notice of any regular or special meeting sent by electronic mail to the last known electronic mail address of a

	<p>stockholder shall be considered a valid service of the notice upon said stockholder. The notice shall state the date, time and place of the meeting and the agenda or purpose or purposes for which the meeting is called. Such requirements aforesaid and notice of any meetings may be waived, expressly or impliedly, by any stockholder.</p> <p style="text-align: center;">x x x x x</p>	<p>stockholder shall be considered a valid service of the notice upon said stockholder. The notice shall state the date, time and place of the meeting and the agenda or purpose or purposes for which the meeting is called. Such requirements aforesaid and notice of any meetings may be waived, expressly or impliedly, by any stockholder.</p> <p><u>Any director or stockholder may propose any other matter for inclusion in the agenda at any regular or special meeting subject to such guidelines as may be approved by the Board of Directors. The notice shall also contain the procedures to be followed when a stockholder elects to vote through remote communication or in absentia.</u></p> <p style="text-align: center;">x x x x x</p> <p><u>The Corporation shall also provide information or documents to all stockholders by electronic transmission. The information or documents shall be deemed delivered upon the transfer or posting by electronic means.</u></p> <p><u>As used herein, electronic transmission means the delivery or transfer of documents, data or information by electronic mail to the electronic address of the stockholders registered in the books of the Corporation, posting in the Philippine Stock Exchange, posting in the Corporation's website (in the subsections for stockholders' meetings or disclosures of the Governance section), or such other recognized means of electronic transfer of data or information.</u></p> <p><u>The Corporation shall require all stockholders to provide a valid electronic address for them to receive notices and other information or documents from the Corporation.</u></p> <p><u>Stockholders preferring to receive physical copies of the notice, information or documents shall make a written request to the Corporation. Upon receipt of the request, the Corporation shall send the notice, information and documents by personal service.</u></p> <p><u>Notice to any meeting may be waived, expressly or impliedly, including through a stockholder's attendance to a meeting unless the stockholder's presence is for</u></p>
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		<u>the express purpose of contending that the meeting is not lawfully convened.</u>
Art. II, Sec. 6	Conduct of Meeting. x x x x x -	Conduct of Meeting. x x x x x <u>The Corporation may opt to hold fully virtual stockholders' meetings, subject to applicable laws, rules and regulations of the Securities and Exchange Commission, as may be amended from time to time. The virtual meetings shall be conducted in such a way that the stockholder experience will be, to every extent possible, similar to a physical meeting. In any such instance, if stockholders holding at least ten percent (10%) of the outstanding capital stock ask for a physical meeting, the Corporation shall conduct a physical meeting unless prevented by existing rules and regulations. The request shall be made within two (2) weeks from the announcement of the holding of a virtual meeting, which shall be made ahead of the sending out of the Notice of Meeting.</u>
Art. II, Sec. 7	Manner of Voting. Unless otherwise provided by law, each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share held by such stockholder. At all meetings of the stockholders, all elections and all questions, except in cases where hereunder specified or where other provision is made by statute or by the Articles of the Incorporation, shall be decided by the majority vote of the stockholders present in person or by proxy, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.	Manner of Voting. Unless otherwise provided by law, each stockholder <u>entitled to vote may vote in person, through remote communication, in absentia, electronically or otherwise or</u> be represented by proxy at any regular or special stockholders' meetings, <u>subject to compliance with rules and regulations as may be issued by the Securities and Exchange Commission from time to time.</u> At all meetings of the stockholders, all elections and all questions, except in cases where hereunder specified or where other provision is made by statute or by the Articles of the Incorporation, shall be decided by the majority vote of the stockholders present in person, <u>through remote communication, in absentia, electronically or otherwise or</u> be represented or by proxy, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.
Art. III, Sec. 2	Number and Term of Office. The Board of Directors shall have seven (7) members who shall be elected by the stockholders entitled to vote at the annual stockholders' meeting, and shall hold office for one (1) year and until their	Number and Term of Office. The Board of Directors shall have <u>eight (8)</u> members who shall be elected by the stockholders entitled to vote at the annual stockholders' meeting, and shall hold office for one (1) year and until

	<p>successors are elected and qualified in accordance with these By-Laws.</p> <p style="text-align: center;">x x x x x</p>	<p>their successors are elected and qualified in accordance with these By-Laws.</p> <p style="text-align: center;">x x x x x</p>
Art. III, Sec. 6	<p>Vacancies. x x x x x</p> <p>The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at special meeting of stockholders called for the purpose, after giving notice as prescribed in these By-Laws.</p>	<p>Vacancies. x x x x x</p> <p>The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at special meeting of stockholders called for the purpose, after giving notice as prescribed in these By-Laws, <u>in any instance no later than forty-five (45) days from the time the vacancy occurred.</u></p> <p><u>The director so elected shall be referred to as replacement director and act as a member of the said Board only for the unexpired term of his predecessor.</u></p> <p><u>However, when the remaining directors cannot constitute a quorum and emergency action is required to prevent grave, substantial or irreparable loss or damage to the Corporation, the vacancy may be temporarily filled from among the officers of the Corporation by the unanimous vote of the remaining directors. The designated director's actions shall be limited to any necessary emergency action and his term shall cease within a reasonable time from the termination of the emergency or upon election of the replacement director, whichever comes first.</u></p>
Art. III, Sec. 7	<p>Meetings. The Board of Directors of the Corporation shall meet at least once every calendar quarter, either in person or through teleconference, videoconference or through similar modes of modern communication technology. Special meetings of the Board of Directors shall be held when called by the Chairman, by the President, or by the Secretary at the request of any two (2) directors.</p>	<p>Meetings. The Board of Directors of the Corporation shall meet at least <u>six (6) times per calendar year</u>, either in person or through teleconference, videoconference or through similar modes of modern communication technology. Special meetings of the Board of Directors shall be held when called by the Chairman, by the President, or by the Secretary at the request of any two (2) directors.</p>
Art. III, Sec. 10	<p>Conduct of the Meetings. x x x x x</p> <p style="text-align: center;">-</p>	<p>Conduct of the Meetings. x x x x x</p> <p><u>Meetings of the Board may be conducted and participation of directors, including voting, at board meetings, can be in person, through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communications allowed by the</u></p>

		<u>Securities and Exchange Commission. Participation and voting cannot be done by proxy.</u>
Art. III	-	<u>Section 13 - Directors with interest, potential or otherwise, in any related party transaction shall timely and fully disclose any and all material facts and abstain from deliberations on and approval of the same without prejudice to compliance with the requirements of the law and the rules and regulations of the Securities and Exchange Commission, as may be amended from time to time. Material related party contracts, as defined in applicable laws, rules and regulations of the Securities and Exchange Commission, shall be approved by at least two-thirds (2/3) of all the Directors, including the unanimous vote of all the independent directors.</u>
Art. V, Sec. 1	<p>Election/Appointment. Immediately after the election, the Board of Directors may formally organize by electing the Chairman, President, Chief Executive Officer, Chief Operating Officer, Treasurer, Chief Finance Officer, Corporate Secretary and Assistant Corporate Secretary at said meeting.</p> <p style="text-align: center;">x x x x x</p>	<p>Election/Appointment. Immediately after the election, the Board of Directors may formally organize by electing the Chairman, President, Chief Executive Officer, Chief Operating Officer, Treasurer, Chief Finance Officer, Chief Compliance Officer, Corporate Secretary and Assistant Corporate Secretary at said meeting.</p> <p style="text-align: center;">x x x x x</p>
Art. V, Sec. 6 (new Section 6)	-	<u>Chief Compliance Officer. The Chief Compliance Officer shall ensure compliance by the Corporation, its directors and officers with applicable laws, rules and regulations, and governance issuances of regulatory agencies, proper onboarding of new directors, identification and appropriate resolution of any compliance issues, and the integrity and accuracy of all documentary submissions to regulators, and perform all other duties which may be assigned to him by the Board of Directors.</u>
Art. IX, Sec. 3	<p>Dividends. x x x x x</p> <p style="text-align: center;">-</p>	<p>Dividends. x x x x x</p> <p><u>Cash dividend payouts shall be done through electronic means such as direct bank transfer and the like, as may be decided by the Board of Directors. The Corporation shall request stockholders to provide account details or other reference number/s needed for the transfer. Stockholders who fail to provide account details or other reference number/s shall receive their dividend payout by check, which will be available for pick-up at a</u></p>

		<u>designated office as announced in the Corporation's website and in regulatory disclosures.</u>
Art. X (new Article)	-	<p style="text-align: center;"><u>Arbitration</u></p> <p><u>Section 1 – Any dispute, controversy or claim between the Corporation and its stockholders arising from, relating to, or in connection with the implementation of the Articles of Incorporation or By-Laws, or from intra-corporate relations, except those involving criminal offenses and interests of third parties, may be referred to and resolved by arbitration in accordance with prevailing Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules and Securities and Exchange Commission Rules and Regulations.</u></p> <p><u>Section 2 – The number of arbitrators shall be three (3) appointed by the Philippine Dispute Resolution Center, Inc. (PDRCI) and the place of arbitration shall be in Metro Manila, Philippines. The language to be used for the arbitral proceedings shall be English.</u></p> <p><u>Section 3 – The parties shall be bound by the award rendered by the Arbitral Tribunal and confirmed by the appropriate Regional Trial Court. Arbitration shall not be available for disputes involving claims in excess of One Million Pesos (Php1,000,000.00) or involving the determination of the fair valuation of shares in appraisal proceedings.</u></p>

VALUATION REPORT

presented to

AREIT, INC.

Income Approach

Vertis Corporate Center 1 to 3 and Mall
BCG20-C10665-003.2 | As of October 7, 2020

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

15 March 2021

AREIT, INC.

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

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

Re: **AACI File No. BCG20-C10665-003.2**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 07 October 2020, of *Vertis Corporate Center 1 to 3 and Mall* (the "PROPERTY") located at North Avenue, Barangay Bagong Pag-asa, Quezon City, Metropolitan Manila.

Purpose of the valuation: For financial reporting purpose only.

Subject of the valuation: The subject of the valuation is the *Vertis Corporate Center 1 to 3 and Mall* located at North Avenue, Barangay Bagong Pag-asa, Quezon City, Metropolitan Manila.

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

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

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

Valuation date: The valuation date is as of **07 October 2020**.

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***Vertis Corporate Center 1 to 3 and Mall*** as of 07 October 2020 is as follows:

	Fair Value (in PHP)
Mall	2,219,880,000.00
Office	11,946,650,000.00
TOTAL	14,166,530,000.00

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

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

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.



ENGR. JOHN C. PAR

First Vice President

Certified Review Appraiser

Licensed Real Estate Appraiser

PRC REA No. 0002803

PTR No. 7354439

GENERAL SERVICE CONDITIONS

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

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

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Fair Value* of **PHP14,166,530,000.00** as of 07 October 2020, was done under the direct supervision of the undersigned.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

1 Identification of the Client

1.1 AREIT, Inc.

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

2 Purpose of the Valuation

This valuation shall be used for financial reporting purpose only.

3 Basis of Value

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

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	4,457,630	4,450,942	(6,688)		-0.2%	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, water and waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	1,370,256	1,328,950	(41,306)		-3.0%	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accommodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsory social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	2,646,494	2,682,772	36,278		1.4%	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	297,690	304,340	6,650		2.2%	

Source: PSA and AACI estimates, May 2020

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

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

6 Particulars of the Property

6.1 Corporate Centers

Nestled at the heart of the northern Metro, the Vertis North Corporate Center addresses the accelerating opportunities in Quezon City. Grade A office spaces for the modern and future proof industries rise through the development offering modern working spaces for the young urban professionals of the North.

The three-tower high-rise office buildings create spaces for both visionary small businesses and enterprise businesses.

(Source: AyalaLand Offices)



Figure 1: Vertis Corporate Center 1 to 3 and Mall

6.2 Ayala Malls Vertis North

AyalaMalls Vertis North features the A-Giant Screen, the country's largest movie screen with two private skyboxes; plus Japan Town and KTown, two unique anchors carrying the popular and well-curated Japanese and Korean shopping and dining experience, all in one roof. AyalaMalls Vertis North raises the bar on lifestyle venues for the youth, and young families of Quezon City.

(Source: Ayala Malls Directory)

6.3 Vicinity Map

The property appraised is strategically located at North Avenue, Barangay Bagong Pagasa, Quezon City, Metropolitan Manila. The property is located across The Trinoma and Landmark Malls.



Figure 2: Vicinity Map

Source: AACI, October 2020

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

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

7.2 Market Approach

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

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

7.3 Cost Approach

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

7.4 Income Approach

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

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

7.5 Valuation Analysis

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

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

7.6 Future and Present Value

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

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

such that:

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

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

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

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

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

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

7.7 Discount Rate

The discount rate was set at 8.32% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	3.8140%		
Market rate of return	7.4704%		
Phil RE sector beta	1.2167	0.65	2.15
Cost of equity	8.2626%	6.1761%	11.6877%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	7.07%	50.00%	2.47%
Equity	11.69%	50.00%	5.84%
Weighted average cost of capital			8.32%

7.8 Net Present Value

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

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

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

7.9 Valuation Assumption

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

- 7.9.1 The total gross leasable area for Ayala Malls Vertis North is 39,306 sq.m and 125,507 sq.m for Corporate Centers.
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The average rental rate and occupancy rate of Ayala Malls and Corporate centers are based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of *Vertis Corporate Center 1 to 3 and Mall* as of 07 October 2020 is as follows:

	Fair Value (in PHP)
Mall	2,219,880,000.00
Office	11,946,650,000.00
TOTAL	14,166,530,000.00

9 Valuation Date

This valuation is dated **07 October 2020**.

ANNEX A

AREIT, INC.
VERTIS MALL
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2022	2023	2024	2025	2026	2027	2028	2029
FREE CASH FLOWS									
Gross Revenues	PHP	196,076,677	194,410,755	314,018,181	332,677,955	349,350,627	359,496,581	369,942,229	380,696,498
Total OPEX	PHP	(218,177,349)	(226,796,953)	(236,723,661)	(243,696,578)	(248,073,962)	(252,060,945)	(255,984,525)	(260,025,257)
NET INCOME BEFORE TAX	PHP	(22,100,672)	(32,386,198)	77,294,520	88,981,377	101,276,665	107,435,635	113,957,705	120,671,241
Income Tax	%	25%	25%	24%	23%	22%	21%	20%	20%
NET INCOME AFTER TAX	PHP	-	-	58,743,835	68,515,661	78,995,799	84,874,152	91,166,164	96,536,993
Add: Depreciation	PHP	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521
NET CASH FLOW	PHP	69,472,849	59,187,323	150,317,356	160,089,182	170,569,320	176,447,673	182,739,685	188,110,514
NET PRESENT VALUE									
Period lapsed	years	1.0000	2.0000	3.0000	4.0000	5.0000	6.0000	7.0000	8.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.9232	0.8523	0.7869	0.7264	0.6706	0.6191	0.5716	0.5277
Present value	PHP	64,137,652	50,445,751	118,277,728	116,293,054	114,390,684	109,245,516	104,452,420	99,265,115
Net present value (NPV)	PHP	2,219,879,758							
Rounded to:	PHP	2,219,880,000							

ANNEX A

AREIT, INC.
VERTIS MALL
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2030	2031	2032	2033	2034	2035	2036	2037
FREE CASH FLOWS									
Gross Revenues	PHP	391,768,579	403,167,939	414,904,327	426,987,787	439,428,658	452,237,594	465,425,562	479,003,861
Total OPEX	PHP	(264,186,649)	(268,472,312)	(272,885,966)	(277,431,444)	(282,112,692)	(286,933,774)	(291,898,878)	(297,012,314)
NET INCOME BEFORE TAX	PHP	127,581,930	134,695,627	142,018,361	149,556,342	157,315,966	165,303,819	173,526,684	181,991,547
Income Tax	%	20%	20%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	102,065,544	107,756,501	113,614,689	119,645,074	125,852,773	132,243,055	138,821,348	145,593,238
Add: Depreciation	PHP	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521
NET CASH FLOW	PHP	193,639,065	199,330,023	205,188,210	211,218,595	217,426,294	223,816,577	230,394,869	237,166,759
NET PRESENT VALUE									
Period lapsed	years	9.0000	10.0000	11.0000	12.0000	13.0000	14.0000	15.0000	16.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.4872	0.4498	0.4152	0.3833	0.3539	0.3267	0.3016	0.2785
Present value	PHP	94,335,359	89,650,392	85,198,084	80,966,902	76,945,882	73,124,602	69,493,153	66,042,116
Net present value (NPV)	PHP								
Rounded to:	PHP								

ANNEX A

AREIT, INC.
VERTIS MALL
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2038	2039	2040	2041	2042	2043	2044	2045
FREE CASH FLOWS									
Gross Revenues	PHP	492,984,127	507,378,342	522,198,850	537,458,362	553,169,968	569,347,152	586,003,801	603,154,217
Total OPEX	PHP	(302,278,525)	(307,702,085)	(313,287,705)	(319,040,239)	(324,964,684)	(331,066,189)	(337,350,055)	(343,821,745)
NET INCOME BEFORE TAX	PHP	190,705,602	199,676,257	208,911,145	218,418,122	228,205,284	238,280,963	248,653,746	259,332,472
Income Tax	%	20%	20%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	152,564,481	159,741,006	167,128,916	174,734,498	182,564,227	190,624,771	198,922,997	207,465,978
Add: Depreciation	PHP	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521
NET CASH FLOW	PHP	244,138,003	251,314,527	258,702,437	266,308,019	274,137,748	282,198,292	290,496,518	299,039,499
NET PRESENT VALUE									
Period lapsed	years	17.0000	18.0000	19.0000	20.0000	21.0000	22.0000	23.0000	24.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.2571	0.2373	0.2191	0.2023	0.1867	0.1724	0.1592	0.1469
Present value	PHP	62,762,538	59,645,907	56,684,135	53,869,531	51,194,787	48,652,956	46,237,434	43,941,947
Net present value (NPV)	PHP								
Rounded to:	PHP								

ANNEX A

AREIT, INC.
VERTIS MALL
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2046	2047	2048	2049	2050	2051	2052	2053
FREE CASH FLOWS									
Gross Revenues	PHP	620,813,130	638,995,710	657,717,582	676,994,838	696,844,052	717,282,293	738,327,143	759,996,708
Total OPEX	PHP	(350,486,883)	(357,351,262)	(364,420,851)	(371,701,794)	(379,200,424)	(386,923,259)	(394,877,015)	(403,068,610)
NET INCOME BEFORE TAX	PHP	270,326,247	281,644,448	293,296,731	305,293,044	317,643,628	330,359,035	343,450,128	356,928,098
Income Tax	%	20%	20%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	216,260,998	225,315,558	234,637,385	244,234,435	254,114,903	264,287,228	274,760,103	285,542,478
Add: Depreciation	PHP	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521	91,573,521
NET CASH FLOW	PHP	307,834,519	316,889,079	326,210,906	335,807,956	345,688,424	355,860,749	366,333,624	377,116,000
NET PRESENT VALUE									
Period lapsed	years	25.0000	26.0000	27.0000	28.0000	29.0000	30.0000	31.0000	32.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1357	0.1252	0.1156	0.1067	0.0985	0.0910	0.0840	0.0775
Present value	PHP	41,760,531	39,687,515	37,717,514	35,845,407	34,066,327	32,375,651	30,768,984	29,242,149
Net present value (NPV)	PHP								
Rounded to:	PHP								

ANNEX A

AREIT, INC.
VERTIS MALL
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2054	2055	2056	2057
FREE CASH FLOWS					
Gross Revenues	PHP	782,309,636	805,285,134	828,942,984	853,303,560
Total OPEX	PHP	(411,505,167)	(420,194,025)	(429,142,741)	(438,359,100)
NET INCOME BEFORE TAX	PHP	370,804,469	385,091,109	399,800,243	414,944,459
Income Tax	%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	296,643,575	308,072,887	319,840,194	331,955,567
Add: Depreciation	PHP	91,573,521	91,573,521	91,573,521	91,573,521
NET CASH FLOW	PHP	388,217,096	399,646,408	411,413,715	423,529,089
NET PRESENT VALUE					
Period lapsed	years	33.0000	34.0000	35.0000	36.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0716	0.0661	0.0610	0.0563
Present value	PHP	27,791,176	26,412,295	25,101,919	23,856,644
Net present value (NPV)	PHP				
Rounded to:	PHP				

ANNEX B

AREIT, INC.
VERTIS CORPORATE CENTER 1 TO 3
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2022	2023	2024	2025	2026	2027
FREE CASH FLOWS							
Gross Revenues	PHP	1,059,252,759	1,091,030,342	1,123,761,253	1,157,474,090	1,192,198,313	1,227,964,262
Total OPEX	PHP	(301,066,820)	(304,284,496)	(291,615,435)	(296,851,619)	(302,370,698)	(308,186,568)
NET INCOME BEFORE TAX	PHP	758,185,939	786,745,846	832,145,817	860,622,471	889,827,615	919,777,695
Income Tax	%	25%	25%	24%	23%	22%	21%
NET INCOME AFTER TAX	PHP	568,639,454	590,059,385	632,430,821	662,679,302	694,065,540	726,624,379
Add: Depreciation	PHP	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189
NET CASH FLOW	PHP	747,179,643	768,599,573	810,971,010	841,219,491	872,605,728	905,164,567
NET PRESENT VALUE							
Period lapsed	years	1.0000	2.0000	3.0000	4.0000	5.0000	6.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.9232	0.8523	0.7869	0.7264	0.6706	0.6191
Present value	PHP	689,799,664.13	655,082,554.89	638,115,321.31	611,084,287.48	585,204,689.27	560,422,071.01
Net present value (NPV)	PHP	11,946,653,435					
Rounded to:	PHP	11,946,650,000					

ANNEX B

AREIT, INC.
VERTIS CORPORATE CENTER 1 TO 3
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2028	2029	2030	2031	2032	2033
FREE CASH FLOWS							
Gross Revenues	PHP	1,264,803,190	1,302,747,286	1,341,829,704	1,382,084,595	1,423,547,133	1,466,253,547
Total OPEX	PHP	(314,313,774)	(320,767,543)	(327,563,809)	(334,719,249)	(342,251,316)	(350,178,273)
NET INCOME BEFORE TAX	PHP	950,489,416	981,979,743	1,014,265,895	1,047,365,346	1,081,295,817	1,116,075,274
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	760,391,533	785,583,794	811,412,716	837,892,277	865,036,654	892,860,219
Add: Depreciation	PHP	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189
NET CASH FLOW	PHP	938,931,721	964,123,983	989,952,905	1,016,432,465	1,043,576,842	1,071,400,408
NET PRESENT VALUE							
Period lapsed	years	7.0000	8.0000	9.0000	10.0000	11.0000	12.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.5716	0.5277	0.4872	0.4498	0.4152	0.3833
Present value	PHP	536,685,231.85	508,764,109.73	482,276,457.93	457,149,242.12	433,313,137.71	410,702,341.18
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX B

AREIT, INC.
VERTIS CORPORATE CENTER 1 TO 3
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2034	2035	2036	2037	2038	2039
FREE CASH FLOWS							
Gross Revenues	PHP	1,510,241,154	1,555,548,388	1,602,214,840	1,650,281,285	1,699,789,724	1,750,783,415
Total OPEX	PHP	(358,519,230)	(367,294,184)	(376,524,057)	(386,230,737)	(396,437,127)	(407,167,181)
NET INCOME BEFORE TAX	PHP	1,151,721,923	1,188,254,204	1,225,690,783	1,264,050,548	1,303,352,597	1,343,616,234
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	921,377,539	950,603,363	980,552,627	1,011,240,438	1,042,682,078	1,074,892,987
Add: Depreciation	PHP	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189
NET CASH FLOW	PHP	1,099,917,727	1,129,143,552	1,159,092,815	1,189,780,627	1,221,222,266	1,253,433,176
NET PRESENT VALUE							
Period lapsed	years	13.0000	14.0000	15.0000	16.0000	17.0000	18.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.3539	0.3267	0.3016	0.2785	0.2571	0.2373
Present value	PHP	389,254,390.98	368,909,997.72	349,612,882.95	331,309,626.21	313,949,519.84	297,484,431.32
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX B

AREIT, INC.
VERTIS CORPORATE CENTER 1 TO 3
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2040	2041	2042	2043	2044	2045
FREE CASH FLOWS							
Gross Revenues	PHP	1,803,306,918	1,857,406,125	1,913,128,309	1,970,522,159	2,029,637,823	2,090,526,958
Total OPEX	PHP	(418,445,963)	(430,299,687)	(442,755,774)	(455,842,906)	(469,591,080)	(484,031,671)
NET INCOME BEFORE TAX	PHP	1,384,860,955	1,427,106,439	1,470,372,535	1,514,679,253	1,560,046,743	1,606,495,287
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	1,107,888,764	1,141,685,151	1,176,298,028	1,211,743,402	1,248,037,394	1,285,196,230
Add: Depreciation	PHP	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189
NET CASH FLOW	PHP	1,286,428,953	1,320,225,339	1,354,838,217	1,390,283,591	1,426,577,583	1,463,736,418
NET PRESENT VALUE							
Period lapsed	years	19.0000	20.0000	21.0000	22.0000	23.0000	24.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.2191	0.2023	0.1867	0.1724	0.1592	0.1469
Present value	PHP	281,868,672.48	267,058,875.45	253,013,874.97	239,694,596.61	227,063,950.73	215,086,731.81
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX B

AREIT, INC.
VERTIS CORPORATE CENTER 1 TO 3
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2046	2047	2048	2049	2050	2051
FREE CASH FLOWS							
Gross Revenues	PHP	2,153,242,767	2,217,840,050	2,284,375,251	2,352,906,509	2,423,493,704	2,496,198,515
Total OPEX	PHP	(499,197,489)	(515,122,847)	(531,843,629)	(549,397,357)	(567,823,265)	(587,162,378)
NET INCOME BEFORE TAX	PHP	1,654,045,278	1,702,717,202	1,752,531,622	1,803,509,152	1,855,670,439	1,909,036,137
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	1,323,236,222	1,362,173,762	1,402,025,297	1,442,807,322	1,484,536,351	1,527,228,909
Add: Depreciation	PHP	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189
NET CASH FLOW	PHP	1,501,776,411	1,540,713,950	1,580,565,486	1,621,347,510	1,663,076,540	1,705,769,098
NET PRESENT VALUE							
Period lapsed	years	25.0000	26.0000	27.0000	28.0000	29.0000	30.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1357	0.1252	0.1156	0.1067	0.0985	0.0910
Present value	PHP	203,729,522.94	192,960,605.09	182,749,871.09	173,068,743.87	163,890,098.97	155,188,190.84
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX B

AREIT, INC.
VERTIS CORPORATE CENTER 1 TO 3
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2052	2053	2054	2055	2056	2057
FREE CASH FLOWS							
Gross Revenues	PHP	2,571,084,471	2,648,217,005	2,727,663,515	2,809,493,420	2,893,778,223	2,980,615,028
Total OPEX	PHP	(607,457,592)	(628,753,754)	(651,097,751)	(674,538,606)	(699,127,563)	(724,919,604)
NET INCOME BEFORE TAX	PHP	1,963,626,879	2,019,463,251	2,076,565,763	2,134,954,815	2,194,650,660	2,255,695,424
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	1,570,901,503	1,615,570,601	1,661,252,611	1,707,963,852	1,755,720,528	1,804,556,339
Add: Depreciation	PHP	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189	178,540,189
NET CASH FLOW	PHP	1,749,441,691	1,794,110,789	1,839,792,799	1,886,504,040	1,934,260,716	1,983,096,528
NET PRESENT VALUE							
Period lapsed	years	31.0000	32.0000	33.0000	34.0000	35.0000	36.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0840	0.0775	0.0716	0.0661	0.0610	0.0563
Present value	PHP	146,938,583.04	139,118,081.84	131,704,673.29	124,677,463.40	118,016,621.41	111,704,319.58
Net present value (NPV)	PHP						
Rounded to:	PHP						

VALUATION REPORT

presented to

AREIT, INC.

Income Approach

BPI-Philam Makati

BCG21-C10665-001.1 | Prospectively as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

15 March 2021

AREIT, INC.

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

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

Re: **AACI File No. BCG21-C10730-001.1**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation prospectively as of 31 December 2021, of *the office condominium unit with a floor area of approximately 1,072 sqm at The BPI-Philam Makati Building* (the "PROPERTY") located at 6811 Ayala Avenue, Makati City, Metropolitan Manila.

Purpose of the valuation: For management information purpose only.

Subject of the valuation: The subject of the valuation is *the office condominium unit with a floor area of approximately 1,072 sqm at The BPI-Philam Makati Building*, located at 6811 Ayala Avenue, Makati City, Metropolitan Manila.

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

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

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

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

Opinion of value:

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

PESOS:
TWO HUNDRED TWELVE MILLION
SIX HUNDRED EIGHTY THOUSAND ONLY
(In Words)

PHP212,680,000.00
(In Figures)

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

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

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

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

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

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a **Fair Value** of **PHP212,680,000.00** prospectively as of 31 December 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

1 Identification of the Client

1.1 AREIT, Inc.

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

2 Purpose of the Valuation

This valuation shall be used for financial reporting purpose only.

3 Basis of Value

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

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	4,457,630	4,450,942	(6,688)		-0.2%	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, water and waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	1,370,256	1,328,950	(41,306)		-3.0%	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accommodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsory social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	2,646,494	2,682,772	36,278		1.4%	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	297,690	304,340	6,650		2.2%	

Source: PSA and AACI estimates, May 2020

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

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

6 Particulars of the Property

6.1 BPI-Philam Life Makati Building

Formerly known as Ayala Life-FGU Center, the eye-catching BPI-Philam Life Makati spurred the rise of a new commercial hub—highlighted by its architecture—at the crossroads of Ayala Avenue and Gil Puyat Avenue, two of Makati’s busiest main thoroughfares.

Built with glass, aluminum and polished stone, the 32-story office tower reflects the Makati Business District’s dynamic spirit of entrepreneurial growth and innovation. With its state-of-the-art building management system, operation-ready offices, a ten-level parking facility, ten elevators, and a telecommunications backbone connecting up to 3,900 lines with provisions for fiber optic lines on every floor.

(Source: AyalaLand Offices)



Figure 1: The BPI-Philam Life Makati

6.2 Vicinity Map

The property appraised is strategically located at 6811 Ayala Avenue, Makati City, Metropolitan Manila



Figure 2: Vicinity Map

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

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

7.2 Market Approach

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

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

7.3 Cost Approach

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

7.4 Income Approach

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

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

7.5 Valuation Analysis

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

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

7.6 Future and Present Value

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

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

such that:

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

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

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

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

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

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

7.7 Discount Rate

The discount rate was set at 8.32% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	3.8140%		
Market rate of return	7.4704%		
Phil RE sector beta	1.2167	0.65	2.15
Cost of equity	8.2626%	6.1761%	11.6877%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	7.07%	50.00%	2.47%
Equity	11.69%	50.00%	5.84%
Weighted average cost of capital			8.32%

7.8 Net Present Value

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

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

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

7.9 Valuation Assumption

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

- 7.9.1 The total gross leasable area is approximately 1,072 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The average rental rate and occupancy rate of the PROPERTY are based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

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

PESOS:
TWO HUNDRED TWELVE MILLION
SIX HUNDRED EIGHTY THOUSAND ONLY
(In Words)

PHP212,680,000.00
(In Figures)

9 Valuation Date

This valuation is prospectively as of **31 December 2021**.

ANNEX A

AREIT, INC.
BPI-PHILAM MAKATI
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2022	2023	2024	2025	2026
FREE CASH FLOWS						
Gross Revenues	PHP	14,577,540	15,037,564	15,512,524	16,002,924	16,002,924
Total DIRECT OPEX - net of recoveries	PHP	3,808,152	3,935,148	4,065,755	4,200,072	4,342,809
NET INCOME BEFORE TAX	PHP	18,385,691	18,972,712	19,578,279	20,202,995	20,345,733
Income Tax	%	25%	25%	24%	23%	22%
NET INCOME AFTER TAX	PHP	13,789,269	14,229,534	14,879,492	15,556,306	15,869,672
NET PRESENT VALUE						
Period lapsed	years	1.0000	2.0000	3.0000	4.0000	5.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.9232	0.8523	0.7869	0.7264	0.6706
Present value	PHP	12,730,315.80	12,127,926.96	11,707,979.31	11,300,516.13	10,642,843.62
Net present value (NPV)	PHP	212,679,592				
Rounded to:	PHP	212,680,000				

ANNEX A

AREIT, INC.
BPI-PHILAM MAKATI
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	2031
FREE CASH FLOWS						
Gross Revenues	PHP	16,443,598	16,897,492	17,365,004	17,846,540	16,854,575
Total DIRECT OPEX - net of recoveries	PHP	4,489,829	4,641,259	4,797,233	4,957,885	4,747,850
NET INCOME BEFORE TAX	PHP	20,933,427	21,538,752	22,162,236	22,804,426	21,602,425
Income Tax	%	21%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	16,537,407	17,231,001	17,729,789	18,243,540	17,281,940
NET PRESENT VALUE						
Period lapsed	years	6.0000	7.0000	8.0000	9.0000	10.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.6191	0.5716	0.5277	0.4872	0.4498
Present value	PHP	10,238,942.62	9,849,091.07	9,355,934.06	8,887,725.92	7,772,701.16
Net present value (NPV)	PHP					
Rounded to:	PHP					

ANNEX A

AREIT, INC.
BPI-PHILAM MAKATI
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2032	2033	2034	2035	2036
FREE CASH FLOWS						
Gross Revenues	PHP	18,342,523	18,853,386	19,379,574	19,921,547	19,921,547
Total DIRECT OPEX - net of recoveries	PHP	4,890,286	5,054,232	5,223,096	5,397,027	5,576,175
NET INCOME BEFORE TAX	PHP	23,232,809	23,907,617	24,602,670	25,318,574	25,497,722
Income Tax	%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	18,586,247	19,126,094	19,682,136	20,254,859	20,398,178
NET PRESENT VALUE						
Period lapsed	years	11.0000	12.0000	13.0000	14.0000	15.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.4152	0.3833	0.3539	0.3267	0.3016
Present value	PHP	7,717,366.60	7,331,648.80	6,965,391.73	6,617,599.76	6,152,627.05
Net present value (NPV)	PHP					
Rounded to:	PHP					

ANNEX A

AREIT, INC.
BPI-PHILAM MAKATI
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2037	2038	2039	2040	2041
FREE CASH FLOWS						
Gross Revenues	PHP	20,479,780	21,054,760	21,646,990	22,256,986	20,895,678
Total DIRECT OPEX - net of recoveries	PHP	5,760,698	5,950,756	6,146,517	6,348,150	6,041,930
NET INCOME BEFORE TAX	PHP	26,240,478	27,005,517	27,793,506	28,605,136	26,937,607
Income Tax	%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	20,992,383	21,604,413	22,234,805	22,884,108	21,550,086
NET PRESENT VALUE						
Period lapsed	years	16.0000	17.0000	18.0000	19.0000	20.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.2785	0.2571	0.2373	0.2191	0.2023
Present value	PHP	5,845,597.31	5,554,021.89	5,277,112.87	5,014,123.22	4,359,211.68
Net present value (NPV)	PHP					
Rounded to:	PHP					

ANNEX A

AREIT, INC.
BPI-PHILAM MAKATI
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2042	2043	2044	2045	2046	2047
FREE CASH FLOWS							
Gross Revenues	PHP	22,885,282	23,532,427	24,198,987	24,885,543	24,885,543	25,592,696
Total DIRECT OPEX - net of recoveries	PHP	6,223,188	6,427,638	6,638,222	6,855,123	7,078,531	7,308,642
NET INCOME BEFORE TAX	PHP	29,108,470	29,960,065	30,837,208	31,740,666	31,964,074	32,901,338
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	23,286,776	23,968,052	24,669,767	25,392,533	25,571,259	26,321,070
NET PRESENT VALUE							
Period lapsed	years	21.0000	22.0000	23.0000	24.0000	25.0000	26.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1867	0.1724	0.1592	0.1469	0.1357	0.1252
Present value	PHP	4,348,768.22	4,132,259.50	3,926,610.61	3,731,270.73	3,468,972.09	3,296,477.98
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BPI-PHILAM MAKATI
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2048	2049	2050	2051	2052	2053
FREE CASH FLOWS							
Gross Revenues	PHP	26,321,063	27,071,281	27,844,007	26,119,542	28,639,913	29,459,697
Total DIRECT OPEX - net of recoveries	PHP	7,545,656	7,789,780	8,041,228	7,654,470	7,884,104	8,138,915
NET INCOME BEFORE TAX	PHP	33,866,719	34,861,062	35,885,235	33,774,012	36,524,018	37,598,612
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	27,093,375	27,888,849	28,708,188	27,019,210	29,219,214	30,078,890
NET PRESENT VALUE							
Period lapsed	years	27.0000	28.0000	29.0000	30.0000	31.0000	32.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1156	0.1067	0.0985	0.0910	0.0840	0.0775
Present value	PHP	3,132,619.85	2,976,960.89	2,829,086.72	2,458,165.22	2,454,171.49	2,332,362.90
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC. BPI-PHILAM MAKATI DISCOUNTED CASH FLOW as of the date indicated ASSUMPTIONS TO PROJECTIONS

	Remarks	2054	2055	2056	2057
FREE CASH FLOWS					
Gross Revenues	PHP	30,304,075	31,173,784	31,173,784	32,069,584
Total DIRECT OPEX - net of recoveries	PHP	8,401,370	8,671,698	8,950,136	9,236,928
NET INCOME BEFORE TAX	PHP	38,705,444	39,845,482	40,123,920	41,306,511
Income Tax	%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	30,964,355	31,876,385	32,099,136	33,045,209
NET PRESENT VALUE					
Period lapsed	years	33.0000	34.0000	35.0000	36.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0716	0.0661	0.0610	0.0563
Present value	PHP	2,216,635.66	2,106,683.46	1,958,490.67	1,861,378.17
Net present value (NPV)	PHP				
Rounded to:	PHP				



VALUATION REPORT

presented to

AREIT, INC.

Income Approach

BPI-Philam Alabang

BCG21-C10665-001.2 | Prospectively as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

15 March 2021

AREIT, INC.

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

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

Re: **AACI File No. BCG21-C10730-001.2**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation prospectively as of 31 December 2021, of *the office condominium unit with a floor area of approximately 551 sqm at The BPI-Philam Alabang Building* (the "PROPERTY") located at Alabang-Zapote Road corner Acacia Avenue, Madrigal Business Park, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For management information purpose only.

Subject of the valuation: The subject of the valuation is *the office condominium unit with a floor area of approximately 551 sqm at The BPI-Philam Alabang Building* (the "PROPERTY") located at Alabang-Zapote Road corner Acacia Avenue, Madrigal Business Park, Muntinlupa City, Metropolitan Manila.

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

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

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

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

Opinion of value:

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

**PESOS:
FIFTY-EIGHT MILLION
FIVE HUNDRED SEVENTY THOUSAND ONLY**
(In Words)

PHP58,570,000.00
(In Figures)

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

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

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439


GENERAL SERVICE CONDITIONS

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

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

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a **Fair Value** of **PHP58,570,000.00** prospectively as of 31 December 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

1 Identification of the Client

1.1 AREIT, Inc.

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

2 Purpose of the Valuation

This valuation shall be used for financial reporting purpose only.

3 Basis of Value

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

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	4,457,630	4,450,942	(6,688)		-0.2%	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, water and waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	1,370,256	1,328,950	(41,306)		-3.0%	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accommodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsory social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	2,646,494	2,682,772	36,278		1.4%	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	297,690	304,340	6,650		2.2%	

Source: PSA and AACI estimates, May 2020

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

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

6 Particulars of the Property

6.1 BPI-Philam Alabang Building

Formerly known as Ayala Life FGU - Center, BPI - Philam Alabang is located in the Madrigal Business Park in Alabang, the premier business district in Muntinlupa City. The business center has extended networks and developed expertise through long-term trusted partnerships, one of which being the alliance between the Bank of the Philippine Islands (BPI) and the Philippine American Life and General Insurance Company (Philam Life).

With this, the business center offers a state-of-the-art building management system that guarantees the perfect business environment for those who prefer to operate in the south of Manila. Equipped with advanced telecommunications services and all the amenities needed for efficient office operations, the 14-story corporate center offers office spaces for rent that caters to all employees, including corporate professionals and business enthusiasts.

(Source: AyalaLand Offices)



Figure 1: The BPI-Philam Alabang

6.2 Vicinity Map

The property appraised is strategically located at Alabang-Zapote Road cor. Acacia Ave., Madrigal Business Park, Muntinlupa City

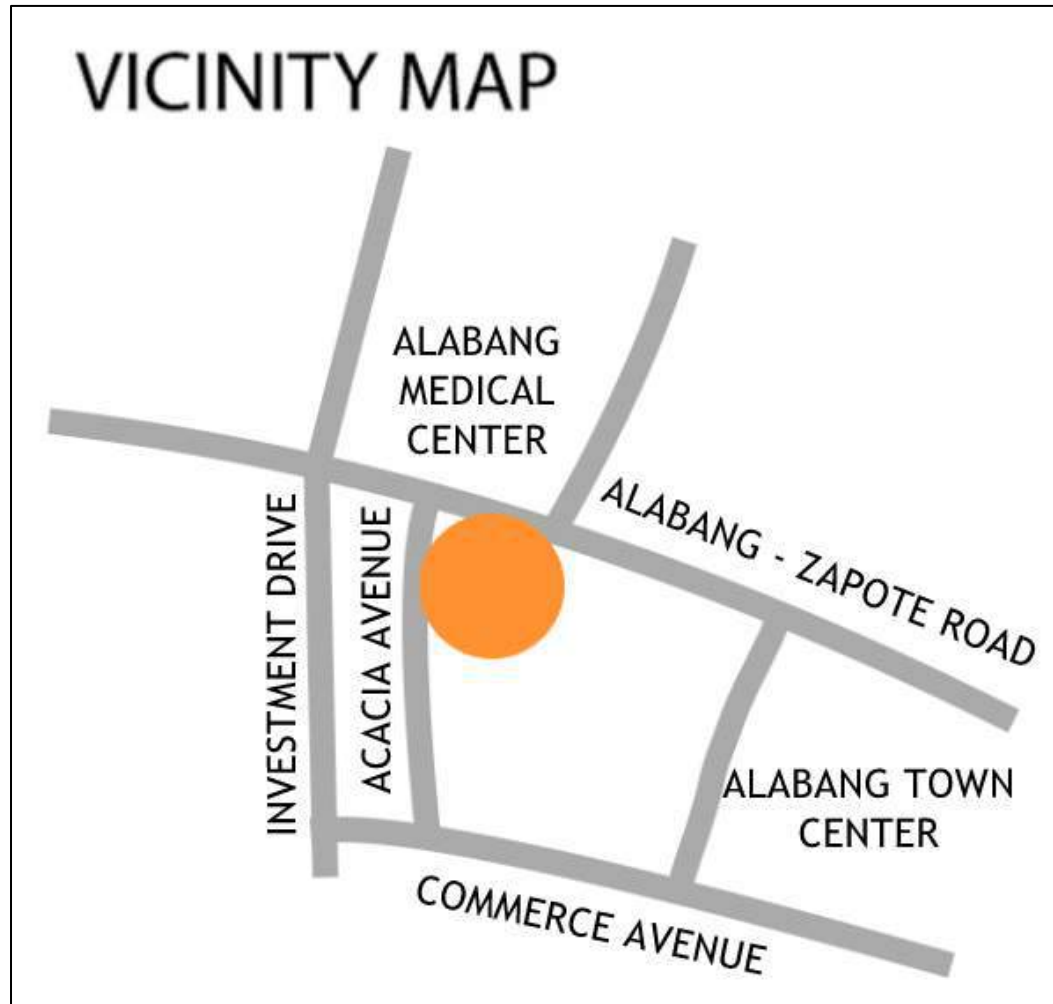


Figure 2: Vicinity Map

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

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

7.2 Market Approach

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

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

7.3 Cost Approach

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

7.4 Income Approach

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

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

7.5 Valuation Analysis

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

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

7.6 Future and Present Value

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

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

such that:

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

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

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

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

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

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

7.7 Discount Rate

The discount rate was set at 8.32% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	3.8140%		
Market rate of return	7.4704%		
Phil RE sector beta	1.2167	0.65	2.15
Cost of equity	8.2626%	6.1761%	11.6877%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	7.07%	50.00%	2.47%
Equity	11.69%	50.00%	5.84%
Weighted average cost of capital			8.32%

7.8 Net Present Value

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

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

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

7.9 Valuation Assumption

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

- 7.9.1 The total gross leasable area is approximately 551 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The average rental rate and occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

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

PESOS:
FIFTY-EIGHT MILLION
FIVE HUNDRED SEVENTY THOUSAND ONLY
(In Words)

PHP58,570,000.00
(In Figures)

9 Valuation Date

This valuation is prospectively as of **31 December 2021**.

ANNEX A

AREIT, INC.
BPI-PHILAM ALABANG
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2022	2023	2024	2025	2026
FREE CASH FLOWS						
Gross Revenues	PHP	4,812,387	4,951,972	5,095,886	5,244,260	5,397,234
LESS: OPERATING EXPENSES	PHP	(497,558)	(500,245)	(502,958)	(505,694)	(508,454)
NET INCOME BEFORE TAX	PHP	4,314,829	4,451,727	4,592,928	4,738,566	4,888,780
Income Tax	%	25%	25%	24%	23%	22%
NET INCOME AFTER TAX	PHP	3,236,122	3,338,795	3,490,625	3,648,696	3,813,248
Add: Depreciation	PHP	344,123	344,123	344,123	344,123	344,123
NET CASH FLOW	PHP	3,580,245	3,682,919	3,834,748	3,992,819	4,157,371
NET PRESENT VALUE						
Period lapsed	years	1.0000	2.0000	3.0000	4.0000	5.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.9232	0.8523	0.7869	0.7264	0.6706
Present value	PHP	3,305,298.21	3,138,976.07	3,017,384.82	2,900,489.96	2,788,101.24
Net present value (NPV)	PHP	58,571,968				
Rounded to:	PHP	58,570,000				

ANNEX A

AREIT, INC.
BPI-PHILAM ALABANG
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	2031
FREE CASH FLOWS						
Gross Revenues	PHP	5,554,950	5,717,556	5,885,202	6,058,045	6,236,246
LESS: OPERATING EXPENSES	PHP	(511,237)	(514,040)	(516,863)	(519,706)	(522,565)
NET INCOME BEFORE TAX	PHP	5,043,714	5,203,516	5,368,338	5,538,339	5,713,681
Income Tax	%	21%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	3,984,534	4,162,812	4,294,671	4,430,671	4,570,945
Add: Depreciation	PHP	344,123	344,123	344,123	344,123	344,123
NET CASH FLOW	PHP	4,328,657	4,506,936	4,638,794	4,774,795	4,915,068
NET PRESENT VALUE						
Period lapsed	years	6.0000	7.0000	8.0000	9.0000	10.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.6191	0.5716	0.5277	0.4872	0.4498
Present value	PHP	2,680,037.31	2,576,125.28	2,447,871.64	2,326,141.96	2,210,594.07
Net present value (NPV)	PHP					
Rounded to:	PHP					

ANNEX A

AREIT, INC.
BPI-PHILAM ALABANG
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2032	2033	2034	2035	2036
FREE CASH FLOWS						
Gross Revenues	PHP	6,419,972	6,609,393	6,804,686	7,006,033	7,213,622
LESS: OPERATING EXPENSES	PHP	(525,441)	(528,331)	(531,233)	(534,147)	(537,070)
NET INCOME BEFORE TAX	PHP	5,894,531	6,081,062	6,273,453	6,471,886	6,676,552
Income Tax	%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	4,715,625	4,864,850	5,018,762	5,177,509	5,341,242
Add: Depreciation	PHP	344,123	344,123	344,123	344,123	344,123
NET CASH FLOW	PHP	5,059,748	5,208,973	5,362,885	5,521,632	5,685,365
NET PRESENT VALUE						
Period lapsed	years	11.0000	12.0000	13.0000	14.0000	15.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.4152	0.3833	0.3539	0.3267	0.3016
Present value	PHP	2,100,904.48	1,996,767.34	1,897,893.40	1,804,009.09	1,714,855.59
Net present value (NPV)	PHP					
Rounded to:	PHP					

ANNEX A

AREIT, INC.
BPI-PHILAM ALABANG
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2037	2038	2039	2040	2041
FREE CASH FLOWS						
Gross Revenues	PHP	7,427,647	7,648,305	7,875,805	8,110,357	8,352,180
LESS: OPERATING EXPENSES	PHP	(540,000)	(542,935)	(545,873)	(548,811)	(551,747)
NET INCOME BEFORE TAX	PHP	6,887,647	7,105,371	7,329,932	7,561,546	7,800,433
Income Tax	%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	5,510,117	5,684,296	5,863,946	6,049,237	6,240,346
Add: Depreciation	PHP	344,123	344,123	344,123	344,123	344,123
NET CASH FLOW	PHP	5,854,240	6,028,419	6,208,069	6,393,360	6,584,470
NET PRESENT VALUE						
Period lapsed	years	16.0000	17.0000	18.0000	19.0000	20.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.2785	0.2571	0.2373	0.2191	0.2023
Present value	PHP	1,630,188.05	1,549,774.72	1,473,396.31	1,400,845.23	1,331,924.92
Net present value (NPV)	PHP					
Rounded to:	PHP					

ANNEX A

AREIT, INC.
BPI-PHILAM ALABANG
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2042	2043	2044	2045	2046	2047
FREE CASH FLOWS							
Gross Revenues	PHP	8,601,499	8,858,548	9,123,565	9,396,797	9,678,500	9,968,935
LESS: OPERATING EXPENSES	PHP	(554,678)	(557,601)	(560,514)	(563,413)	(566,294)	(569,155)
NET INCOME BEFORE TAX	PHP	8,046,822	8,300,947	8,563,051	8,833,385	9,112,206	9,399,780
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	6,437,457	6,640,757	6,850,441	7,066,708	7,289,765	7,519,824
Add: Depreciation	PHP	344,123	344,123	344,123	344,123	344,123	344,123
NET CASH FLOW	PHP	6,781,580	6,984,880	7,194,564	7,410,831	7,633,888	7,863,947
NET PRESENT VALUE							
Period lapsed	years	21.0000	22.0000	23.0000	24.0000	25.0000	26.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1867	0.1724	0.1592	0.1469	0.1357	0.1252
Present value	PHP	1,266,449.30	1,204,242.13	1,145,136.51	1,088,974.31	1,035,605.75	984,888.88
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BPI-PHILAM ALABANG
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2048	2049	2050	2051	2052	2053
FREE CASH FLOWS							
Gross Revenues	PHP	10,268,374	10,577,096	10,895,388	11,223,547	11,561,879	11,910,699
LESS: OPERATING EXPENSES	PHP	(571,991)	(574,799)	(577,574)	(580,313)	(583,009)	(585,660)
NET INCOME BEFORE TAX	PHP	9,696,383	10,002,297	10,317,813	10,643,234	10,978,869	11,325,039
Income Tax	%	20%	20%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	7,757,106	8,001,837	8,254,251	8,514,587	8,783,095	9,060,031
Add: Depreciation	PHP	344,123	344,123	344,123	344,123	344,123	344,123
NET CASH FLOW	PHP	8,101,229	8,345,960	8,598,374	8,858,710	9,127,218	9,404,154
NET PRESENT VALUE							
Period lapsed	years	27.0000	28.0000	29.0000	30.0000	31.0000	32.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1156	0.1067	0.0985	0.0910	0.0840	0.0775
Present value	PHP	936,689.21	890,879.27	847,338.23	805,951.54	766,610.60	729,212.44
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BPI-PHILAM ALABANG
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2054	2055	2056	2057
FREE CASH FLOWS					
Gross Revenues	PHP	12,270,332	12,641,115	13,023,391	13,417,518
LESS: OPERATING EXPENSES	PHP	(588,259)	(590,801)	(593,281)	(595,692)
NET INCOME BEFORE TAX	PHP	11,682,074	12,050,314	12,430,111	12,821,826
Income Tax	%	20%	20%	20%	20%
NET INCOME AFTER TAX	PHP	9,345,659	9,640,251	9,944,088	10,257,461
Add: Depreciation	PHP	344,123	344,123	344,123	344,123
NET CASH FLOW	PHP	9,689,782	9,984,374	10,288,212	10,601,584
NET PRESENT VALUE					
Period lapsed	years	33.0000	34.0000	35.0000	36.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0716	0.0661	0.0610	0.0563
Present value	PHP	693,659.40	659,858.88	627,723.01	597,168.48
Net present value (NPV)	PHP				
Rounded to:	PHP				



VALUATION REPORT

presented to

AREIT, INC.

Income Approach

Bacolod Capitol Corporate Center
BCG21-C10665-001.3 | Prospectively as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

15 March 2021

AREIT, INC.

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

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

Re: **AACI File No. BCG21-C10730-001.3**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation prospectively as of 31 December 2021, of *The Bacolod Capitol Corporate Center* (the "PROPERTY") located at North Capitol Drive corner Aguinaldo Street, Bacolod City.

Purpose of the valuation: For management information purpose only.

Subject of the valuation: The subject of the valuation is *The Bacolod Capitol Corporate Center* (the "PROPERTY") located at North Capitol Drive corner Aguinaldo Street, Bacolod City.

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

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

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

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

Opinion of value:

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

PESOS:
EIGHT HUNDRED NINETY-SEVEN MILLION
NINE HUNDRED FIFTY THOUSAND ONLY

(In Words)

PHP897,950,000.00

(In Figures)

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

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

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.



ENGR. JOHN C. PAR

First Vice President

Certified Review Appraiser

Licensed Real Estate Appraiser

PRC REA No. 0002803

PTR No. 7354439


GENERAL SERVICE CONDITIONS

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

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

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a **Fair Value** of **PHP897,950,000.00** prospectively as of 31 December 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

1 Identification of the Client

1.1 AREIT, Inc.

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

2 Purpose of the Valuation

This valuation shall be used for financial reporting purpose only.

3 Basis of Value

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

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	4,457,630	4,450,942	(6,688)		-0.2%	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, water and waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	1,370,256	1,328,950	(41,306)		-3.0%	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accommodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsory social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	2,646,494	2,682,772	36,278		1.4%	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	297,690	304,340	6,650		2.2%	

Source: PSA and AACI estimates, May 2020

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

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

6 Particulars of the Property

6.1 Bacolod Capitol Corporate Center

Bacolod Capitol Corporate Center is part of a mixed-use development comprised of a regional mall, Seda Hotel and Amaia Steps, a mid-rise residential development. This is part of Ayala Land, Inc.'s initiatives to encourage partnership with businesses that are also committed towards a better economy for the Filipino people. With progress in mind, this facility is structured to offer 24/7 services to Business Process Outsourcing firms, as these firms give way to opportunities for communities in Bacolod City.

The contiguities of mall-office- hotel-residential plus the presence of landscaped areas allow a harmonious balance of work and play. The five-story corporate center features a grand floor plate of approximately 2,400 square meters, a Gross Leasable Area of 11,000 square meters, complete back up power, including two major telecommunication lines.

(Source: AyalaLand Offices)



Figure 1: The Bacolod Capitol Corporate Center

6.2 Vicinity Map

The property appraised is strategically located at the heart of Bacolod City beside the Provincial Capitol.



Figure 2: Vicinity Map

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

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

7.2 Market Approach

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

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

7.3 Cost Approach

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

7.4 Income Approach

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

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

7.5 Valuation Analysis

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

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

7.6 Future and Present Value

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

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

such that:

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

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

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

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

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

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

7.7 Discount Rate

The discount rate was set at 8.32% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	3.8140%		
Market rate of return	7.4704%		
Phil RE sector beta	1.2167	0.65	2.15
Cost of equity	8.2626%	6.1761%	11.6877%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	7.07%	50.00%	2.47%
Equity	11.69%	50.00%	5.84%
Weighted average cost of capital			8.32%

7.8 Net Present Value

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

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

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

7.9 Valuation Assumption

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

- 7.9.1 The total gross leasable area is approximately 11,313 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The average rental rate and occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

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

PESOS:
EIGHT HUNDRED NINETY-SEVEN MILLION
NINE HUNDRED FIFTY THOUSAND ONLY
(In Words)

PHP897,950,000.00
(In Figures)

9 Valuation Date

This valuation is prospectively as of **31 December 2021**.

ANNEX A

AREIT, INC.
BACOLOD CAPITOL CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2022	2023	2024	2025	2026	2027
FREE CASH FLOWS							
Gross Revenues	PHP	68,156,671	70,201,371	72,307,412	74,476,635	76,710,934	79,012,262
LESS: OPERATING EXPENSES	PHP	(31,167,964)	(31,470,686)	(31,783,128)	(32,105,600)	(32,438,422)	(32,781,923)
NET INCOME BEFORE TAX	PHP	36,988,707	38,730,685	40,524,284	42,371,035	44,272,512	46,230,339
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	33,580,874	35,220,617	36,908,914	38,647,203	40,436,966	42,279,726
Add: Depreciation	PHP	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631
NET CASH FLOW	PHP	55,391,505	57,031,248	58,719,545	60,457,835	62,247,597	64,090,357
NET PRESENT VALUE							
Period lapsed	years	1.0000	2.0000	3.0000	4.0000	5.0000	6.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.9232	0.8523	0.7869	0.7264	0.6706	0.6191
Present value	PHP	51,137,690.86	48,608,113.96	46,203,675.54	43,918,184.46	41,745,755.92	39,680,796.29
Net present value (NPV)	PHP	897,946,776					
Rounded to:	PHP	897,950,000					

ANNEX A

AREIT, INC.
BACOLOD CAPITOL CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2028	2029	2030	2031	2032	2033
FREE CASH FLOWS							
Gross Revenues	PHP	81,382,630	83,824,109	86,338,832	88,928,997	91,596,867	94,344,773
LESS: OPERATING EXPENSES	PHP	(33,136,445)	(33,502,338)	(33,879,966)	(34,269,702)	(34,671,932)	(35,087,055)
NET INCOME BEFORE TAX	PHP	48,246,185	50,321,770	52,458,866	54,659,295	56,924,934	59,257,718
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	44,177,054	46,130,565	48,141,924	50,212,845	52,345,091	54,540,479
Add: Depreciation	PHP	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631
NET CASH FLOW	PHP	65,987,685	67,941,196	69,952,556	72,023,476	74,155,723	76,351,111
NET PRESENT VALUE							
Period lapsed	years	7.0000	8.0000	9.0000	10.0000	11.0000	12.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.5716	0.5277	0.4872	0.4498	0.4152	0.3833
Present value	PHP	37,717,988.68	35,852,279.30	34,078,864.38	32,393,177.84	30,790,879.51	29,267,843.98
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BACOLOD CAPITOL CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2034	2035	2036	2037	2038	2039
FREE CASH FLOWS							
Gross Revenues	PHP	97,175,116	100,090,369	103,093,081	106,185,873	109,371,449	112,652,593
LESS: OPERATING EXPENSES	PHP	(35,515,480)	(35,957,632)	(36,413,947)	(36,884,878)	(37,370,888)	(37,872,459)
NET INCOME BEFORE TAX	PHP	61,659,636	64,132,738	66,679,133	69,300,995	72,000,561	74,780,134
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	56,800,880	59,128,219	61,524,479	63,991,701	66,531,989	69,147,504
Add: Depreciation	PHP	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631
NET CASH FLOW	PHP	78,611,512	80,938,851	83,335,110	85,802,333	88,342,620	90,958,136
NET PRESENT VALUE							
Period lapsed	years	13.0000	14.0000	15.0000	16.0000	17.0000	18.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.3539	0.3267	0.3016	0.2785	0.2571	0.2373
Present value	PHP	27,820,149.92	26,444,070.04	25,136,061.44	23,892,756.54	22,710,954.33	21,587,612.21
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BACOLOD CAPITOL CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2040	2041	2042	2043	2044	2045
FREE CASH FLOWS							
Gross Revenues	PHP	116,032,170	119,513,136	123,098,530	126,791,485	130,595,230	134,513,087
LESS: OPERATING EXPENSES	PHP	(38,390,084)	(38,924,276)	(39,475,561)	(40,044,483)	(40,631,602)	(41,237,499)
NET INCOME BEFORE TAX	PHP	77,642,086	80,588,860	83,622,969	86,747,003	89,963,628	93,275,588
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	71,840,478	74,613,203	77,468,042	80,407,429	83,433,866	86,549,934
Add: Depreciation	PHP	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631
NET CASH FLOW	PHP	93,651,109	96,423,834	99,278,674	102,218,060	105,244,498	108,360,565
NET PRESENT VALUE							
Period lapsed	years	19.0000	20.0000	21.0000	22.0000	23.0000	24.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.2191	0.2023	0.1867	0.1724	0.1592	0.1469
Present value	PHP	20,519,838.09	19,504,882.98	18,540,133.90	17,623,107.14	16,751,441.85	15,922,894.02
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BACOLOD CAPITOL CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2046	2047	2048	2049	2050	2051
FREE CASH FLOWS							
Gross Revenues	PHP	138,548,480	142,704,934	146,986,082	151,395,664	155,937,534	160,615,660
LESS: OPERATING EXPENSES	PHP	(41,862,769)	(42,508,028)	(43,173,913)	(43,861,078)	(44,570,199)	(45,301,975)
NET INCOME BEFORE TAX	PHP	96,685,711	100,196,906	103,812,169	107,534,587	111,367,335	115,313,685
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	89,758,287	93,061,659	96,462,865	99,964,803	103,570,458	107,282,902
Add: Depreciation	PHP	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631
NET CASH FLOW	PHP	111,568,918	114,872,290	118,273,497	121,775,435	125,381,090	129,093,534
NET PRESENT VALUE							
Period lapsed	years	25.0000	26.0000	27.0000	28.0000	29.0000	30.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1357	0.1252	0.1156	0.1067	0.0985	0.0910
Present value	PHP	15,135,330.62	14,386,724.20	13,675,147.56	12,998,768.88	12,355,846.96	11,744,726.73
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BACOLOD CAPITOL CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2052	2053	2054	2055	2056	2057
FREE CASH FLOWS							
Gross Revenues	PHP	165,434,130	170,397,154	175,509,069	180,774,341	186,197,571	191,783,498
LESS: OPERATING EXPENSES	PHP	(46,057,125)	(46,836,391)	(47,640,540)	(48,470,361)	(49,326,669)	(50,210,305)
NET INCOME BEFORE TAX	PHP	119,377,005	123,560,763	127,868,529	132,303,980	136,870,902	141,573,193
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	111,105,299	115,040,905	119,093,075	123,265,263	127,561,023	131,984,018
Add: Depreciation	PHP	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631	21,810,631
NET CASH FLOW	PHP	132,915,930	136,851,536	140,903,707	145,075,894	149,371,655	153,794,649
NET PRESENT VALUE							
Period lapsed	years	31.0000	32.0000	33.0000	34.0000	35.0000	36.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0840	0.0775	0.0716	0.0661	0.0610	0.0563
Present value	PHP	11,163,835.02	10,611,676.47	10,086,829.71	9,587,943.70	9,113,734.20	8,662,980.55
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
BACOLOD CAPITOL CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2058	2059	2060	2061
FREE CASH FLOWS					
Gross Revenues	PHP	197,537,003	203,463,113	209,567,007	215,854,017
LESS: OPERATING EXPENSES	PHP	(51,122,138)	(52,063,060)	(53,033,996)	(54,035,897)
NET INCOME BEFORE TAX	PHP	146,414,865	151,400,053	156,533,011	161,818,119
Income Tax	%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	136,538,015	141,226,897	146,054,660	151,025,418
Add: Depreciation	PHP	21,810,631	21,810,631	21,810,631	21,810,631
NET CASH FLOW	PHP	158,348,647	163,037,529	167,865,292	172,836,050
NET PRESENT VALUE					
Period lapsed	years	37.0000	38.0000	39.0000	40.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0520	0.0480	0.0443	0.0409
Present value	PHP	8,234,522.44	7,827,256.98	7,440,135.85	7,072,162.58
Net present value (NPV)	PHP				
Rounded to:	PHP				



VALUATION REPORT

presented to

AREIT, INC.

Income Approach

Ayala North Point Tecnohub

BCG21-C10665-001.4 | Prospectively as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

15 March 2021

AREIT, INC.

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

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

Re: **AACI File No. BCG21-C10730-001.4**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation prospectively as of 31 December 2021, of *The Ayala North Point Technohub* (the "PROPERTY") located at The District North Point, Brgy. Zone 15, Talisay City, Negros Occidental.

Purpose of the valuation: For management information purpose only.

Subject of the valuation: The subject of the valuation is *The Ayala North Point Technohub* located at The District North Point, Brgy. Zone 15, Talisay City, Negros Occidental.

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

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

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

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

Opinion of value:

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

**PESOS:
THREE HUNDRED MILLION
THREE HUNDRED TEN THOUSAND ONLY**
(In Words)

PHP300,310,000.00
(In Figures)

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

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

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

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

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

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a **Fair Value** of **PHP300,310,000.00** prospectively as of 31 December 2021, was done under the direct supervision of the undersigned.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

1 Identification of the Client

1.1 AREIT, Inc.

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

2 Purpose of the Valuation

This valuation shall be used for financial reporting purpose only.

3 Basis of Value

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

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	4,457,630	4,450,942	(6,688)		-0.2%	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, water and waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	1,370,256	1,328,950	(41,306)		-3.0%	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accommodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsory social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	2,646,494	2,682,772	36,278		1.4%	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	297,690	304,340	6,650		2.2%	

Source: PSA and AACI estimates, May 2020

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

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

6 Particulars of the Property

6.1 Ayala North Point Technohub

Ayala North Point Technohub is a two-story PEZA- certified Technohub located beside the Ayala North Point development in the City of Smiles, Bacolod City

Building amenities include large floor plates of approximately 2,596 square meters, a roomy density ratio of 5 square meters per person, and round-the- clock utilities and building services ideal for the needs of BPO firms and employees. The campus has a Gross Leasable Area of 4,183 square meters, with more amenities that include 100% back up power, two major telecommunication lines, and easily-accessible retail stores. Highly secured and easily accessible through public transport, the structure will be registered with PEZA and is now ready for occupancy.

(Source: AyalaLand Offices)



Figure 1: The Ayala North Point Technohub

6.2 Vicinity Map

The property appraised is strategically located beside the Ayala North Point development, Bacolod City.

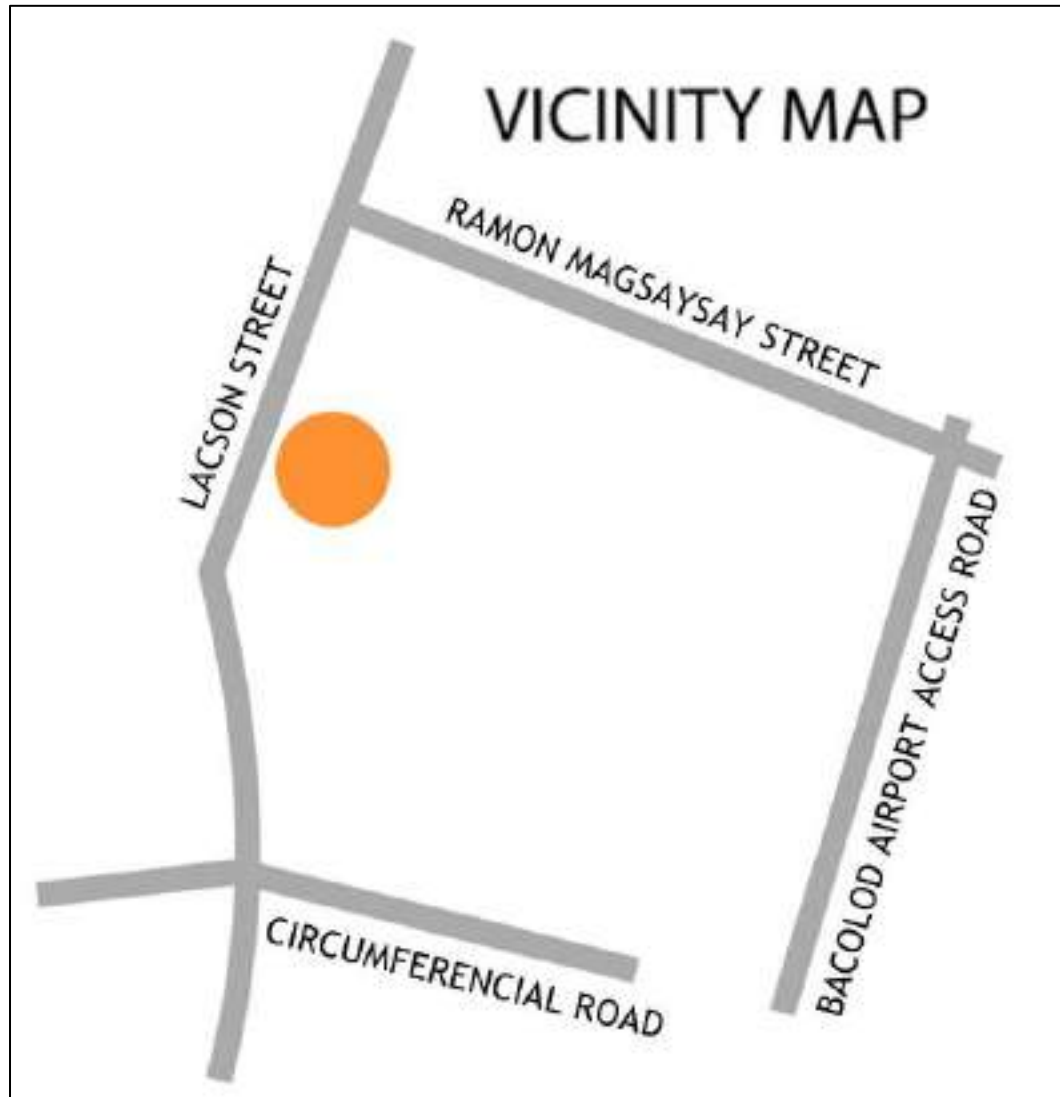


Figure 2: Vicinity Map

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

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

7.2 Market Approach

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

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

7.3 Cost Approach

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

7.4 Income Approach

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

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

7.5 Valuation Analysis

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

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

7.6 Future and Present Value

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

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

such that:

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

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

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

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

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

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

7.7 Discount Rate

The discount rate was set at 8.32% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	3.8140%		
Market rate of return	7.4704%		
Phil RE sector beta	1.2167	0.65	2.15
Cost of equity	8.2626%	6.1761%	11.6877%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	7.07%	50.00%	2.47%
Equity	11.69%	50.00%	5.84%
Weighted average cost of capital			8.32%

7.8 Net Present Value

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

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

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

7.9 Valuation Assumption

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

- 7.9.1 The total gross leasable area is approximately 4,654 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The average rental rate and occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

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

PESOS:
THREE HUNDRED MILLION
THREE HUNDRED TEN THOUSAND ONLY
(In Words)

PHP300,310,000.00
(In Figures)

9 Valuation Date

This valuation is prospectively as of **31 December 2021**.

ANNEX A

AREIT, INC.
AYALA NORTH POINT TECHNOHUB
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2022	2023	2024	2025	2026	2027
FREE CASH FLOWS							
Gross Revenues	PHP	22,339,200	23,009,376	23,699,657	24,410,647	24,388,677	25,897,255
LESS: OPERATING EXPENSES	PHP	(12,051,602)	(12,155,403)	(12,263,469)	(12,375,947)	(12,492,986)	(12,624,788)
NET INCOME BEFORE TAX	PHP	10,287,598	10,853,973	11,436,188	12,034,700	11,895,691	13,272,468
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	9,170,638	9,703,504	10,251,205	10,814,168	10,676,257	11,977,605
Add: Depreciation	PHP	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298
NET CASH FLOW	PHP	19,903,936	20,436,802	20,984,503	21,547,466	21,409,555	22,710,903
NET PRESENT VALUE							
Period lapsed	years	1.0000	2.0000	3.0000	4.0000	5.0000	6.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.9232	0.8523	0.7869	0.7264	0.6706	0.6191
Present value	PHP	18,375,404.51	17,418,423.24	16,511,728.40	15,652,654.21	14,358,113.50	14,061,190.37
Net present value (NPV)	PHP	300,307,093					
Rounded to:	PHP	300,310,000					

ANNEX A

AREIT, INC.
AYALA NORTH POINT TECHNOHUB
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2028	2029	2030	2031	2032	2033
FREE CASH FLOWS							
Gross Revenues	PHP	26,674,173	27,474,398	28,298,630	28,273,161	30,022,017	30,922,677
LESS: OPERATING EXPENSES	PHP	(12,751,422)	(12,883,099)	(13,019,989)	(13,162,268)	(13,320,464)	(13,474,072)
NET INCOME BEFORE TAX	PHP	13,922,751	14,591,300	15,278,642	15,110,894	16,701,553	17,448,606
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	12,589,043	13,217,580	13,863,710	13,697,236	15,200,452	15,902,472
Add: Depreciation	PHP	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298
NET CASH FLOW	PHP	23,322,341	23,950,878	24,597,008	24,430,534	25,933,750	26,635,770
NET PRESENT VALUE							
Period lapsed	years	7.0000	8.0000	9.0000	10.0000	11.0000	12.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.5716	0.5277	0.4872	0.4498	0.4152	0.3833
Present value	PHP	13,330,847.75	12,638,776.00	11,982,951.87	10,987,842.63	10,768,191.04	10,210,349.94
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
AYALA NORTH POINT TECHNOHUB
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2034	2035	2036	2037	2038	2039
FREE CASH FLOWS							
Gross Revenues	PHP	31,850,358	32,805,868	32,776,343	34,803,746	35,847,858	36,923,294
LESS: OPERATING EXPENSES	PHP	(13,633,631)	(13,799,341)	(13,971,407)	(14,160,698)	(14,346,120)	(14,538,555)
NET INCOME BEFORE TAX	PHP	18,216,727	19,006,528	18,804,936	20,643,048	21,501,738	22,384,738
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	16,624,209	17,366,234	17,166,119	18,902,860	19,709,345	20,538,574
Add: Depreciation	PHP	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298
NET CASH FLOW	PHP	27,357,507	28,099,532	27,899,417	29,636,158	30,442,643	31,271,872
NET PRESENT VALUE							
Period lapsed	years	13.0000	14.0000	15.0000	16.0000	17.0000	18.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.3539	0.3267	0.3016	0.2785	0.2571	0.2373
Present value	PHP	9,681,660.23	9,180,585.01	8,415,198.04	8,252,567.20	7,826,137.34	7,421,931.38
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
AYALA NORTH POINT TECHNOHUB
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2040	2041	2042	2043	2044	2045
FREE CASH FLOWS							
Gross Revenues	PHP	38,030,993	37,996,765	40,347,080	41,557,492	42,804,217	44,088,344
LESS: OPERATING EXPENSES	PHP	(14,738,237)	(14,945,404)	(15,171,281)	(15,394,172)	(15,625,316)	(15,864,985)
NET INCOME BEFORE TAX	PHP	23,292,756	23,051,361	25,175,799	26,163,321	27,178,902	28,223,359
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	21,391,206	21,151,523	23,158,445	24,085,446	25,038,691	26,018,942
Add: Depreciation	PHP	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298
NET CASH FLOW	PHP	32,124,505	31,884,821	33,891,743	34,818,744	35,771,989	36,752,240
NET PRESENT VALUE							
Period lapsed	years	19.0000	20.0000	21.0000	22.0000	23.0000	24.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.2191	0.2023	0.1867	0.1724	0.1592	0.1469
Present value	PHP	7,038,780.84	6,449,750.76	6,329,228.95	6,002,994.56	5,693,717.05	5,400,507.31
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
AYALA NORTH POINT TECHNOHUB
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2046	2047	2048	2049	2050	2051
FREE CASH FLOWS							
Gross Revenues	PHP	44,048,664	46,773,324	48,176,524	49,621,819	51,110,474	51,064,475
LESS: OPERATING EXPENSES	PHP	(16,113,459)	(16,382,333)	(16,649,294)	(16,925,956)	(17,212,636)	(17,509,661)
NET INCOME BEFORE TAX	PHP	27,935,206	30,390,991	31,527,229	32,695,863	33,897,838	33,554,814
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	25,732,772	28,052,325	29,118,403	30,214,772	31,342,314	31,001,590
Add: Depreciation	PHP	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298
NET CASH FLOW	PHP	36,466,070	38,785,623	39,851,701	40,948,070	42,075,612	41,734,888
NET PRESENT VALUE							
Period lapsed	years	25.0000	26.0000	27.0000	28.0000	29.0000	30.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1357	0.1252	0.1156	0.1067	0.0985	0.0910
Present value	PHP	4,946,951.54	4,857,551.46	4,607,776.98	4,370,951.33	4,146,397.40	3,796,974.51
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
AYALA NORTH POINT TECHNOHUB
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2052	2053	2054	2055	2056	2057
FREE CASH FLOWS							
Gross Revenues	PHP	54,223,102	55,849,795	57,525,289	57,473,516	61,028,579	62,859,436
LESS: OPERATING EXPENSES	PHP	(17,829,012)	(18,147,749)	(18,477,875)	(18,819,759)	(19,173,785)	(19,552,337)
NET INCOME BEFORE TAX	PHP	36,394,090	37,702,046	39,047,414	38,653,757	41,854,794	43,307,099
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	33,682,935	34,909,556	36,171,150	35,780,081	38,803,365	40,164,127
Add: Depreciation	PHP	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298	10,733,298
NET CASH FLOW	PHP	44,416,233	45,642,854	46,904,448	46,513,379	49,536,663	50,897,425
NET PRESENT VALUE							
Period lapsed	years	31.0000	32.0000	33.0000	34.0000	35.0000	36.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0840	0.0775	0.0716	0.0661	0.0610	0.0563
Present value	PHP	3,730,594.94	3,539,216.41	3,357,734.07	3,074,030.04	3,022,420.71	2,866,961.93
Net present value (NPV)	PHP						
Rounded to:	PHP						



VALUATION REPORT

presented to

AREIT, INC.

Income Approach

One and Two Evotech

BCG21-C10665-001.5 | Prospectively as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

15 March 2021

AREIT, INC.

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

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

Re: **AACI File No. BCG21-C10730-001.5**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation prospectively as of 31 December 2021, of *The One and Two Evotech* (the "PROPERTY") located at Lakeside Evozone, Nuvali, Sta. Rosa City, Province of Laguna.

Purpose of the valuation: For management information purpose only.

Subject of the valuation: The subject of the valuation is *The One and Two Evotech* located at Lakeside Evozone, Nuvali, Sta. Rosa City, Province of Laguna.

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

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

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

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

Opinion of value:

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

**PESOS:
ONE BILLION
NINE HUNDRED EIGHTY-NINE MILLION
TWO HUNDRED THIRTY THOUSAND ONLY**
(In Words)

PHP1,989,230,000.00
(In Figures)

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

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

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

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

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

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a **Fair Value** of **PHP1,989,230,000.00** prospectively as of 31 December 2021, was done under the direct supervision of the undersigned.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

1 Identification of the Client

1.1 AREIT, Inc.

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

2 Purpose of the Valuation

This valuation shall be used for financial reporting purpose only.

3 Basis of Value

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

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	4,457,630	4,450,942	(6,688)		-0.2%	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, water and waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	1,370,256	1,328,950	(41,306)		-3.0%	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accommodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsory social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	2,646,494	2,682,772	36,278		1.4%	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	297,690	304,340	6,650		2.2%	

Source: PSA and AACI estimates, May 2020

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

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

6 Particulars of the Property

6.1 One Evotech

One Evotech is located near lakes, parks, various retail destinations and well-planned residential enclaves. The maiden structure in NUVALI's Lakeside Evozone office campus development, One Evotech is a 4-story building designed to meet the special demands of IT and BPO companies. It has an efficient office floor plate of approximately 3,100 sq. m., 100% back-up power, a district cooling system, multiple telecom providers, conference rooms, huddle rooms, training centers, and a mix of retail areas for tenants and visitors.

(Source: AyalaLand Offices)



Figure 1: The One Evotech

6.2 Two Evotech

Two Evotech, the second building of Nuvali Lakeside Evozone is in the 1,700-hectare Nuvali Evolving estate. With a gross leasable area of 18,000 square meters and a floor plate of approximately 2,500 square meters, Two Evotech consists of three buildings surrounding a verdant park.



Figure 2: The Two Evotech

6.3 Vicinity Map

The property appraised is strategically located inside the Lakeside Evozone, Nuvali, Sta. Rosa City, Province of Laguna.

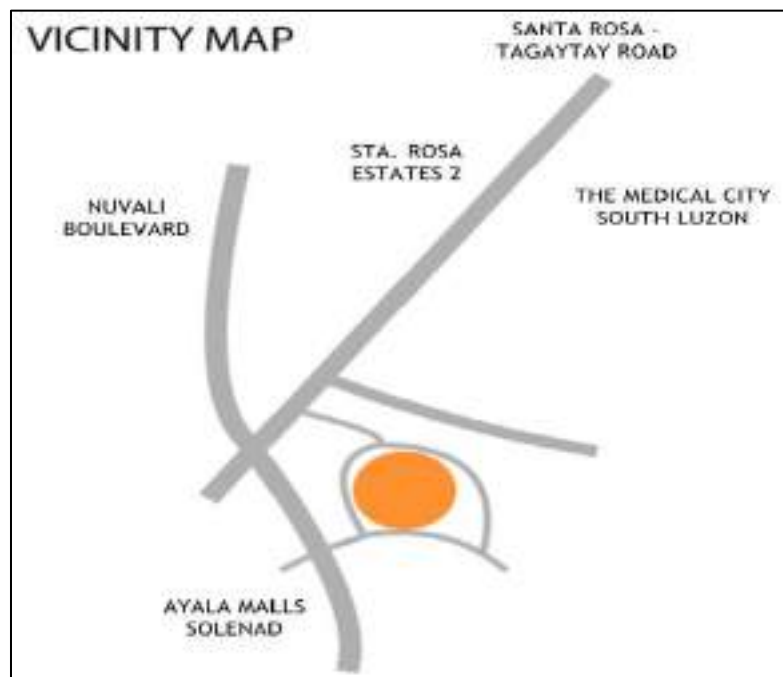


Figure 3: Vicinity Map

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

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

7.2 Market Approach

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

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

7.3 Cost Approach

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

7.4 Income Approach

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

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

7.5 Valuation Analysis

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

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

7.6 Future and Present Value

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

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

such that:

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

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

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

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

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

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

7.7 Discount Rate

The discount rate was set at 8.32% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		Delevered	Relevered
Risk free rate (25Y)	3.8140%		
Market rate of return	7.4704%		
Phil RE sector beta	1.2167	0.65	2.15
Cost of equity	8.2626%	6.1761%	11.6877%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	7.07%	50.00%	2.47%
Equity	11.69%	50.00%	5.84%
Weighted average cost of capital			8.32%

7.8 Net Present Value

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

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

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

7.9 Valuation Assumption

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

- 7.9.1 The total gross leasable area is approximately 23,092 sqm;
- 7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;
- 7.9.3 The average rental rate and occupancy rate of the PROPERTY was based on the data provided by the CLIENT;
- 7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

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

PESOS:
ONE BILLION
NINE HUNDRED EIGHTY-NINE MILLION
TWO HUNDRED THIRTY THOUSAND ONLY
(In Words)

PHP1,989,230,000.00
(In Figures)

9 Valuation Date

This valuation is prospectively as of **31 December 2021**.

ANNEX A

AREIT, INC.
ONE AND TWO EVOTECH
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2022	2023	2024	2025	2026	2027
FREE CASH FLOWS							
Gross Revenues	PHP	156,536,063	160,940,632	165,472,492	170,135,322	150,133,674	171,103,942
LESS: OPERATING EXPENSES	PHP	(22,401,970)	(22,145,901)	(21,900,974)	(21,668,092)	(33,726,020)	(33,830,993)
NET INCOME BEFORE TAX	PHP	134,134,094	138,794,730	143,571,518	148,467,230	116,407,654	137,272,949
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	126,307,291	130,747,699	135,297,893	139,960,464	108,900,970	128,717,752
Add: Depreciation	PHP	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327
NET CASH FLOW	PHP	169,090,617	173,531,025	178,081,219	182,743,790	151,684,297	171,501,078
NET PRESENT VALUE							
Period lapsed	years	1.0000	2.0000	3.0000	4.0000	5.0000	6.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.9232	0.8523	0.7869	0.7264	0.6706	0.6191
Present value	PHP	156,105,231.12	147,901,653.12	140,123,818.53	132,749,966.16	101,725,623.35	106,182,889.89
Net present value (NPV)	PHP	1,989,228,216					
Rounded to:	PHP	1,989,230,000					

ANNEX A

AREIT, INC.
ONE AND TWO EVOTECH
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2028	2029	2030	2031	2032	2033
FREE CASH FLOWS							
Gross Revenues	PHP	175,941,454	180,918,770	186,039,931	165,956,536	189,223,078	194,590,305
LESS: OPERATING EXPENSES	PHP	(33,959,081)	(34,111,588)	(34,289,877)	(46,791,273)	(47,336,512)	(47,920,080)
NET INCOME BEFORE TAX	PHP	141,982,374	146,807,183	151,750,055	119,165,262	141,886,566	146,670,225
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	133,185,301	137,761,244	142,448,058	110,867,436	132,425,412	136,940,710
Add: Depreciation	PHP	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327
NET CASH FLOW	PHP	175,968,627	180,544,571	185,231,384	153,650,762	175,208,739	179,724,036
NET PRESENT VALUE							
Period lapsed	years	7.0000	8.0000	9.0000	10.0000	11.0000	12.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.5716	0.5277	0.4872	0.4498	0.4152	0.3833
Present value	PHP	100,582,141.85	95,272,599.23	90,239,379.66	69,105,751.61	72,750,031.74	68,894,021.19
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
ONE AND TWO EVOTECH
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2034	2035	2036	2037	2038	2039
FREE CASH FLOWS							
Gross Revenues	PHP	200,112,644	205,794,579	183,745,112	209,559,374	215,514,320	221,641,363
LESS: OPERATING EXPENSES	PHP	(48,543,807)	(49,209,601)	(62,234,709)	(63,301,932)	(64,425,520)	(65,607,926)
NET INCOME BEFORE TAX	PHP	151,568,837	156,584,978	121,510,404	146,257,442	151,088,800	156,033,437
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	141,563,205	146,295,250	112,323,148	135,779,474	140,313,084	144,951,369
Add: Depreciation	PHP	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327
NET CASH FLOW	PHP	184,346,531	189,078,576	155,106,474	178,562,800	183,096,410	187,734,695
NET PRESENT VALUE							
Period lapsed	years	13.0000	14.0000	15.0000	16.0000	17.0000	18.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.3539	0.3267	0.3016	0.2785	0.2571	0.2373
Present value	PHP	65,239,149.16	61,775,118.79	46,784,192.77	49,723,094.54	47,070,080.30	44,556,144.04
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
ONE AND TWO EVOTECH
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2040	2041	2042	2043	2044	2045
FREE CASH FLOWS							
Gross Revenues	PHP	227,945,478	203,292,488	231,933,448	238,540,468	245,338,432	252,332,856
LESS: OPERATING EXPENSES	PHP	(66,851,701)	(80,495,426)	(82,181,488)	(83,945,295)	(85,790,038)	(87,719,030)
NET INCOME BEFORE TAX	PHP	161,093,777	122,797,062	149,751,959	154,595,173	159,548,394	164,613,827
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	149,696,503	112,632,438	138,155,287	142,668,150	147,281,473	151,997,184
Add: Depreciation	PHP	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327
NET CASH FLOW	PHP	192,479,830	155,415,764	180,938,613	185,451,476	190,064,799	194,780,510
NET PRESENT VALUE							
Period lapsed	years	19.0000	20.0000	21.0000	22.0000	23.0000	24.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.2191	0.2023	0.1867	0.1724	0.1592	0.1469
Present value	PHP	42,174,139.49	31,437,935.58	33,789,997.32	31,973,129.12	30,252,027.44	28,621,753.80
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
ONE AND TWO EVOTECH
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2046	2047	2048	2049	2050	2051
FREE CASH FLOWS							
Gross Revenues	PHP	225,019,940	256,797,126	264,127,625	271,669,975	279,430,299	249,162,230
LESS: OPERATING EXPENSES	PHP	(102,093,646)	(104,513,338)	(107,036,117)	(109,666,046)	(112,407,347)	(127,645,704)
NET INCOME BEFORE TAX	PHP	122,926,294	152,283,787	157,091,508	162,003,929	167,022,952	121,516,526
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	111,675,297	139,443,931	143,885,127	148,420,430	153,051,437	109,058,415
Add: Depreciation	PHP	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327
NET CASH FLOW	PHP	154,458,624	182,227,258	186,668,453	191,203,756	195,834,763	151,841,741
NET PRESENT VALUE							
Period lapsed	years	25.0000	26.0000	27.0000	28.0000	29.0000	30.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.1357	0.1252	0.1156	0.1067	0.0985	0.0910
Present value	PHP	20,953,706.25	22,822,329.79	21,583,184.04	20,409,809.57	19,298,798.32	13,814,322.88
Net present value (NPV)	PHP						
Rounded to:	PHP						

ANNEX A

AREIT, INC.
ONE AND TWO EVOTECH
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2052	2053	2054	2055	2056	2057
FREE CASH FLOWS							
Gross Revenues	PHP	284,419,063	292,552,261	300,920,510	309,530,600	275,980,220	313,435,106
LESS: OPERATING EXPENSES	PHP	(130,935,068)	(134,357,553)	(137,918,264)	(141,622,492)	(157,881,812)	(162,202,066)
NET INCOME BEFORE TAX	PHP	153,483,995	158,194,708	163,002,246	167,908,109	118,098,408	151,233,040
Income Tax	%	5%	5%	5%	5%	5%	5%
NET INCOME AFTER TAX	PHP	139,263,042	143,567,095	147,956,220	152,431,579	104,299,397	135,561,285
Add: Depreciation	PHP	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327	42,783,327
NET CASH FLOW	PHP	182,046,368	186,350,422	190,739,547	195,214,905	147,082,724	178,344,611
NET PRESENT VALUE							
Period lapsed	years	31.0000	32.0000	33.0000	34.0000	35.0000	36.0000
Discount rate	%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Present value factor	%	0.0840	0.0775	0.0716	0.0661	0.0610	0.0563
Present value	PHP	15,290,384.09	14,449,895.38	13,654,412.46	12,901,588.68	8,974,077.78	10,045,836.48
Net present value (NPV)	PHP						
Rounded to:	PHP						

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of AREIT, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


JOSE EMMANUEL H. JALANDONI
Chairman, Board of Directors


CAROL T. MILLS
President & Chief Executive Officer


ELAINE F. ALZONA
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 24 2021 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jose Emmanuel H. Jalandoni	P1697725A	21 January 2017 / DFA NCR South
Carol T. Mills	P9958069A	17 December 2018 / DFA NCR South
Elaine F. Alzona	P6005978B	22 December 2020 / DFA NCR East

Doc. No. 3
Page No. 2
Book No. XXXIV
Series of 2021
**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-155 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 - RSM Chapter
PTR No. 8533973ME - 01/04/2021 - Makati City
MCLE 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

C	S	2	0	0	6	1	3	8	7	0
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COMPANY NAME

[illegible]

PRINCIPAL OFFICE(No. / Street / Barangay / City / Town / Province)

[illegible]

Form Type

A	A	F	S
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

corporateservices@aglegal.com.ph

Company's Telephone Number

(02) 7908-3804

Mobile Number

	N/A
--	-----

No. of Stockholders

13

Annual Meeting (Month / Day)

6/23

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Elaine Marie F. Alzona

Email Address

alzona.elaine@ayalaland.com.p
h

Telephone Number/s

Phone Number:

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

28th Floor, Tower One and Exchange Plaza, Ayala Triangle, 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 Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Opinion

We have audited the financial statements of AREIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Fair Value Disclosure of Investment Properties

The Company operates four mixed-use office buildings located in Luzon and Visayas. The Company accounts its investment properties using cost model and discloses the fair value as required under Philippine Accounting Standard 40, *Investment Property*. The carrying value and total fair value of the Company's investment properties amounted P8,303.80 million and P30,928.39 million, respectively, as of December 31, 2020. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using the discounted cash flow model.

We identified the disclosure on fair value of the Company's investment properties as a key audit matter because it involves significant management and external valuer assumptions and estimations. These assumptions include discount rates and growth rates, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The Company's disclosures on the fair value of investment properties are included in Note 7 to the financial statements.

Audit Response

With the assistance from our internal valuation specialists, we evaluated the valuation methodology adopted and the underlying assumptions used in the valuations of investment properties as of December 31, 2020. These assumptions include discount rates, growth rates and free cash flows.

We evaluated the competence, capabilities and independence of the external valuer by considering their qualifications, experience and reporting responsibilities. We also assessed the adequacy of disclosure of valuation of investment properties in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear in our independence, and where applicable, related safeguards.

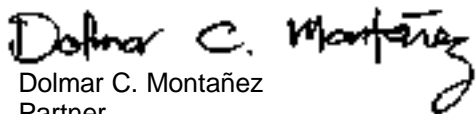
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of AREIT, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

SEC Accreditation No. 1561-AR-1 (Group A),

January 31, 2019 valid until January 30, 2022

Tax Identification No. 925-713-249

BIR Accreditation No. 08-001998-119-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8534336, January 4, 2021, Makati City

February 24, 2021



AREIT, INC.**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Notes 4 and 20)	₱58,977,547	₱122,180,606
Receivables (Notes 5, 19 and 20)	2,384,189,473	1,994,499,843
Other current assets (Notes 6 and 20)	281,312,797	157,602,667
Total Current Assets	2,724,479,817	2,274,283,116
Noncurrent Assets		
Noncurrent portion of receivables (Notes 5 and 20)	2,600,726,540	2,556,978,813
Investment properties (Note 7)	8,303,802,471	6,192,374,393
Property and equipment (Note 8)	12,053	20,089
Other noncurrent assets (Note 6)	1,001,662,147	968,057,313
Total Noncurrent Assets	11,906,203,211	9,717,430,608
	₱14,630,683,028	₱11,991,713,724
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9 and 20)	₱513,927,478	₱274,477,842
Current portion of deposits and other liabilities (Notes 11 and 20)	129,399,846	166,793,502
Income tax payable	54,444,350	71,241,649
Current portion of lease liability (Note 17)	34,300,129	–
Construction bonds (Notes 10 and 20)	–	11,105,498
Total Current Liabilities	732,071,803	523,618,491
Noncurrent Liabilities		
Deposits and other liabilities - net of current portion (Notes 11 and 20)	722,693,405	600,134,138
Lease liability- net of current portion (Note 17)	837,543,814	–
Deferred tax liabilities - net (Note 18)	–	67,232,321
Total Noncurrent Liabilities	1,560,237,219	667,366,459
Total Liabilities	2,292,309,022	1,190,984,950
Equity (Note 12)		
Paid-up capital	10,929,864,050	10,451,224,050
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	785,681,404	–
Retained earnings	1,296,128,252	1,022,804,424
Total Equity	12,338,374,006	10,800,728,774
	₱14,630,683,028	₱11,991,713,724

See accompanying Notes to Financial Statements.



AREIT, INC.**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Rental income (Notes 7, 13 and 17)	P1,495,723,891	P1,323,922,868	P696,017,710
Dues (Notes 7 and 14)	305,087,397	192,320,957	169,314,125
Interest income from finance lease receivables (Notes 14 and 17)	150,814,117	46,837,607	—
	1,951,625,405	1,563,081,432	865,331,835
COSTS AND EXPENSES			
Direct operating expenses (Notes 7 and 16)	585,302,407	436,017,048	181,014,314
General and administrative expenses (Note 16)	49,474,313	14,181,546	4,174,082
	634,776,720	450,198,594	185,188,396
OTHER INCOME (CHARGES) - Net			
Gain under finance lease (Notes 15 and 17)	—	397,139,330	—
Interest income (Notes 4, 15 and 19)	78,670,585	58,261,841	17,172,535
Interest expense (Notes 11 and 16)	(65,419,124)	(12,562,538)	(16,810,309)
Other income (Note 15)	3,660,620	137,200	357,743
	16,912,081	442,975,833	719,969
INCOME BEFORE INCOME TAX	1,333,760,766	1,555,858,671	680,863,408
PROVISION FOR INCOME TAX (Note 18)	106,576,453	294,448,184	143,772,034
NET INCOME	1,227,184,313	1,261,410,487	537,091,374
OTHER COMPREHENSIVE INCOME	—	—	—
TOTAL COMPREHENSIVE INCOME	P1,227,184,313	P1,261,410,487	P537,091,374
Basic/Diluted Earnings Per Share (Note 21)	P1.23	P1.29	P3.16

See accompanying Notes to Financial Statements.



AREIT, INC.**STATEMENTS OF CHANGES IN EQUITY**

	Years Ended December 31		
	2020	2019	2018
PAID-UP CAPITAL (Note 12)			
Common Shares - P10 par value			
Balance at beginning and end of year	P10,451,224,050	P10,451,224,050	P12,924,300
Conversion of preferred shares	–	–	1,623,299,700
Issuance of new shares	478,640,000	–	8,815,000,050
Balance at end of year	10,929,864,050	10,451,224,050	10,451,224,050
Preferred Shares - P1 par value			
Balance at beginning of year	–	–	1,623,299,700
Conversion to common shares	–	–	(1,623,299,700)
Balance at end of year	–	–	–
	10,929,864,050	10,451,224,050	10,451,224,050
ADDITIONAL PAID-IN CAPITAL (Note 12)			
Issuance of new shares	785,681,404	–	–
Balance at end of year	785,681,404	–	–
TREASURY SHARES (Note 12)			
Balance at beginning of year	(673,299,700)	(673,299,700)	(653,299,700)
Redemption of shares	–	–	(20,000,000)
Balance at end of year	(673,299,700)	(673,299,700)	(673,299,700)
RETAINED EARNINGS (Note 12)			
Balance at beginning of year	1,022,804,424	722,691,606	677,952,254
Total comprehensive income/Net income	1,227,184,313	1,261,410,487	537,091,374
Share issuance costs	–	–	(108,352,022)
Cash dividends	(953,860,485)	(961,297,669)	(384,000,000)
Balance at end of year	1,296,128,252	1,022,804,424	722,691,606
	P12,338,374,006	P10,800,728,774	P10,500,615,956

See accompanying Notes to Financial Statements.



AREIT, INC.**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,333,760,766	₱1,555,858,671	₱680,863,408
Adjustments for:			
Depreciation and amortization (Notes 7, 8 and 16)	225,537,616	190,607,039	76,009,715
Interest expense (Notes 11 and 16)	65,419,124	12,562,538	16,810,309
Gain under finance lease (Note 15 and 17)	–	(397,139,330)	–
Interest income from finance lease receivables (Notes 15 and 17)	(150,814,117)	–	–
Interest income (Notes 4, 15 and 19)	(78,670,585)	(105,099,448)	(17,172,535)
Operating income before working capital changes	1,395,232,804	1,256,789,470	756,510,897
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	60,676,759	(262,130,803)	(179,870,857)
Other assets	(157,314,964)	(5,345,676)	(854,489,082)
Increase (decrease) in:			
Accounts and other payables	280,552,617	(79,193,659)	205,735,959
Deposits and other liabilities	71,237,359	81,861,675	(9,990,617)
Construction bonds	(11,105,498)	8,367,056	(61,309)
Cash generated from (used in) operations	1,639,279,077	1,000,348,063	(82,165,009)
Interest received	78,670,585	58,261,841	17,172,535
Income tax paid	(190,606,074)	(189,868,211)	(108,026,492)
Net cash flows provided by (used in) operating activities	1,527,343,588	868,741,693	(173,018,966)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties (Notes 19 and 23)	(343,300,000)	199,000,000	(1,097,810,451)
Payments for additions to investment properties (Note 7)	(1,483,807,649)	(10,392,521)	(7,022,857,532)
Net cash flows provided by (used in) investing activities	(1,827,107,649)	188,607,479	(8,120,667,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends (Note 12)	(953,860,485)	(961,297,669)	(384,000,000)
Payments of principal portion of lease liability (Note 17)	(32,796,936)	–	–
Net proceeds from issuance of shares (Notes 12 and 16)	1,223,218,423	–	8,706,648,028
Redemption of shares (Note 12)	–	–	(20,000,000)
Net cash flows provided by (used in) financing activities	236,561,002	(961,297,669)	8,302,648,028
NET INCREASE (DECREASE) IN CASH	(63,203,059)	96,051,503	8,961,079
CASH AT BEGINNING OF YEAR	122,180,606	26,129,103	17,168,024
CASH AT END OF YEAR (Note 4)	₱58,977,547	₱122,180,606	₱26,129,103

See accompanying Notes to Financial Statements.



AREIT, INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

AREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006 with a corporate life of 50 years. The Company was organized primarily to engage in the business which includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income rising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned.

The Company is publicly-listed company, 45.04%-owned by Ayala Land Inc. (ALI), 9.39%-owned by AyalaLand Offices, Inc. (ALOI), a wholly owned subsidiary of ALI and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.33%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The Company's registered office address and principal place of business is 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company's common stock was listed in The Philippine Stock Exchange on August 13, 2020 as a Real Estate Investment Trust (REIT) entity.

As a REIT entity, the Company is entitled to the following: (a) not subject to 2% minimum corporate income tax (MCIT), (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares, (c) deductibility of dividend distribution from its taxable income, and (d) fifty percent (50%) of the standard DST rate on the transfer of real property into the Company, including the sale or transfer of any and all security interest thereto, provided they have complied with the requirements under Republic Act (RA) No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

The operational and administrative functions of the Company are handled by ALI prior to its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc., and AREIT Property Managers, Inc., handled the fund manager functions and property management functions of the Company (see Note 19).

The accompanying financial statements were approved and authorized for issue by the BOD on February 24, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying financial statements have been prepared under the going concern assumption. The Company believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic.



Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 16, *Covid-19-related Rent Concessions*

The amendments 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, 2021; 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 amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

This amendment is not applicable to the Company as there no rent concessions granted to the Company as a lessee.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments apply to the recent acquisition of building of the Company. See Notes 3 and 7 for the related disclosures.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the financial statements of the Company.



- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the content of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2021

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



Current and Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on a current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash

Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at its transaction price.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion). This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash in banks and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, security deposits and construction bonds.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.



Derecognition of Financial Instruments

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, were there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate ECL.

For trade receivables and finance lease receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive



the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.



Deposits and Other Liabilities

Deposits and other liabilities which includes security deposits that are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest method.

The difference between the cash received and its fair value is deferred (included in the “Deferred credits” under “Deposits and Other Liabilities” account in the statement of financial position) and amortized using the straight-line method and recognized as “Amortization of deferred credits” under the “Rental income” account in profit or loss. Accretion of discount is recorded under “Interest expense” account in profit or loss.

Other Assets

Other assets include input value-added tax (VAT), creditable withholding taxes, recoverable deposits and advances to contractors.

Input VAT

Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be recovered as tax credit against future income tax liability of the Company or refunded subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Deferred input VAT

Deferred input VAT represents input VAT on purchase of capital goods exceeding ₱1 million. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Recoverable deposits

Recoverable deposits pertain to various utility deposits. These are measured initially at fair value. After initial recognition, deposits are subsequently measured at amortized cost using the effective interest method.

Advances to contractors

Advances to contractors are carried at cost less impairment losses, if any.

Prepaid expenses represent paid expenses that are not yet incurred. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Creditable withholding taxes

Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

Investment Properties

Investment properties comprise of construction-in-progress and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

These are carried at cost less accumulated depreciation and amortization and any impairment.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.



Depreciation of investment properties, which consist of buildings, are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of the buildings is 40 years.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, *Revenue from Contracts with Customers*.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Equity

Paid-up capital and Additional paid-in capital (APIC)

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Amount of contribution in excess of par value is accounted for as APIC.

Stock issuance costs

Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. Costs that relate to the new stock market listing, or otherwise are not incremental costs directly attributable to issuing new shares, should be recorded as an expense.



Treasury shares

Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

Retained earnings

Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

Revenue Recognition

The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Dues

Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Other income

Other income is recognized when the related services have been rendered and the right to receive payment is established.

Disaggregated revenue information

The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 14).

Allocation of transaction price to performance obligation

Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

Timing of revenue recognition

Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

Deferral of Philippine Interpretations Committee Question and Answers (PIC Q&As) on accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the



real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions.

The Company is currently presenting its common area, air conditioning, electricity and water dues on a net basis. Had the Company opted to not avail of the relief from the deferral and will comply in full requirement of PIC Q&A 2018-12, the Company will be presenting the revenue from common area charges at gross amounts (see Note 14).

Effective January 1, 2021, the Company will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

Income outside the scope of PFRS 15

Rental income

Rental income under noncancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

No rental income is recognized when the Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (see Note 17).

Interest income from finance lease receivables

Interest income is recognized as it accrues using the EIR method which pertains to the receivable arising from finance lease agreement.

Interest income

Interest income is recognized as it accrues using the EIR method.

Costs and Expenses

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases

The Company as lessor - operating lease

Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Company as lessor - finance lease

A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its statement of financial position and present



them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

Right-of-use asset

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use asset are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax

Deferred income tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused 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 future taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits



from MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting

The Company's lease operation is its only segment. Financial information on business segment is presented in Note 22 to the financial statements.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.



Events After the End of the Reporting Period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. **Summary of Significant Accounting Estimates, Judgments and Assumptions**

The preparation of the accompanying financial statements in compliance with PFRSs requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates, judgments and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Judgment

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Operating lease commitments - Company as lessor

The Company has entered into commercial property leases on its investment property portfolios. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated useful life of the assets.

Finance lease commitments - Company as lessor

The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of this property to the lessee and accounts for the agreement as finance lease.

Evaluation whether the acquired set of assets constitute a business

The Company and ALO Prime Realty Corp. (APRC) executed a deed of absolute sale wherein APRC sells, conveys, transfers, assigns and delivers to the Company a 12- storey building, inclusive of two (2) basement parking levels and located at Inez Villa St. Cebu I.T Park, Brgy. Apas Cebu City, for a consideration amounting to ₱1,450.00 million. The Company elected to apply the optional concentration test to determine whether the acquired building constitute a business. The Company has determined that the acquisition is a purchase of asset as the acquisition passed the concentration test due to: (a) the building is considered a single identifiable asset (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease agreement for McKinley Exchange Corporate Center (MECC), therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company 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 Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The



Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liabilities amounted to ₱871.84 million as of December 31, 2020 (see Note 17; nil as of December 31, 2019).

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with the impact of current COVID environment and other forward-looking information, as applicable. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances including COVID impact and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying value of the Company's trade receivables amounted to ₱498.89 million and ₱479.28 million as of December 31, 2020 and 2019, respectively, net of allowance for credit losses amounting to ₱14.92 million and ₱7.66 million as of December 31, 2020 and 2019, respectively (see Note 5).

Evaluating impairment of nonfinancial assets

The Company regularly reviews its nonfinancial asset for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends including the impact of COVID. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

The Company's nonfinancial assets are not impaired as of December 31, 2020 and 2019. The carrying values of the Company's nonfinancial assets follow:

	2020	2019
Investment properties (Note 7)	₱8,303,802,471	₱6,192,374,393
Input VAT (Note 6)	544,655,980	436,890,469
Deferred input VAT (Note 6)	614,857,354	622,744,439
Creditable withholding taxes (Note 6)	112,971,793	66,025,072
	₱9,576,287,598	₱7,318,034,373

Estimating Realizability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profit together with future tax planning strategies. However, there is no



assurance that the Company will generate sufficient future taxable profit to allow all or part of its deferred tax assets to be utilized.

As of December 31, 2020 and 2019, deferred tax assets recognized by the Company amounted to ₱31.08 million and ₱72.09 million, respectively (see Note 18).

As of December 31, 2020, the Company did not recognize deferred tax asset on temporary difference of NOLCO amounting to ₱43.49 million as the management believes that it may not be probable that sufficient taxable income will be available against which this can be applied (see Note 18).

Estimating useful lives of investment properties

The Company estimates the useful life of its investment properties based on the period over which the asset is expected to be available for use. The estimated useful life of investment properties is reviewed at least annually and is updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of the asset. It is possible that future financial performance could be materially affected by changes in estimates brought about by changes in the factors mentioned above. See Note 7 for the related balances.

Fair value determination of investment properties

The Company discloses the fair value of its investment properties which are carried at cost. The Company determines the fair value of the Company's investment properties using the Income Approach which is a method where the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. See Note 7 for the related disclosures.

4. Cash

This account consists of:

	2020	2019
Cash on hand	₱22,500	₱22,500
Cash in banks	58,955,047	122,158,106
	₱58,977,547	₱122,180,606

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.45% in 2020 and 2019. Interest income earned from cash in banks amounted to ₱0.36 million, ₱0.31 million and ₱0.95 million in 2020, 2019 and 2018, respectively (see Note 15).

5. Receivables

This account consists of:

	2020	2019
Finance lease receivable (Notes 17 and 19)	₱2,242,581,055	₱2,267,931,937
Due from related parties (Note 19)	2,242,543,812	1,803,889,622
Trade receivables		
Accrued rent	416,501,236	369,059,057
Billed	97,316,019	117,888,650
Other receivables	897,650	374,307
	4,999,839,772	4,559,143,573
Less allowance for credit losses	14,923,759	7,664,917
	4,984,916,013	4,551,478,656
Less noncurrent portion	2,600,726,540	2,556,978,813
	₱2,384,189,473	₱1,994,499,843



Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are noninterest-bearing and are generally collectible on 30-day term.

Other receivables pertain to noninterest-bearing advances to employees which are subject to liquidation upon completion of the business transaction.

The movements in allowance for credit losses follows:

	2020	2019
Balance at beginning of year	P7,664,917	P7,664,917
Provision (Note 16 and 20)	7,258,842	–
Balance at end of year	P14,923,759	P7,664,917

Noncurrent portion of receivables

This account consists of:

	2020	2019
Finance lease receivable (Notes 17 and 19)	P2,194,794,056	P2,215,249,105
Trade receivables	405,932,484	341,729,708
	P2,600,726,540	P2,556,978,813

6. Other Assets

Other Current Assets

This account consists of:

	2020	2019
Input VAT	P158,306,544	P91,577,595
Creditable withholding taxes	112,971,793	66,025,072
Recoverable deposits	10,034,460	–
	P281,312,797	P157,602,667

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for refund amounting to P6.39 million which is awaiting approval from the BIR.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets

This account consists of:

	2020	2019
Deferred input VAT	P614,857,354	P622,744,439
Input VAT	386,349,436	345,312,874
Advances to contractors	455,357	–
	P1,001,662,147	P968,057,313



Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.00 million per transaction which is available for offset against the Company's future output VAT.

The remaining balance of input VAT and deferred input VAT are recoverable in future periods.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

7. Investment Properties

	2020			Total
	Building and Improvements	Construction-in-Progress	Right-of-use asset	
Cost				
At January 1	₱7,047,820,671	₱1,979,866	₱-	₱7,049,800,537
Additions	1,483,807,649	-	853,150,009	2,336,957,658
At December 31	8,531,628,320	1,979,866	853,150,009	9,386,758,195
Accumulated Depreciation				
At January 1	857,426,144	-	-	857,426,144
Depreciation and amortization (Note 16)	203,146,629	-	22,382,951	225,529,580
At December 31	1,060,572,773	-	22,382,951	1,082,955,724
Net Book Value	₱7,471,055,547	₱1,979,866	₱830,767,058	₱8,303,802,471

	2019			Total
	Building and Improvements	Construction-in-Progress		
Cost				
At January 1	₱6,134,749,678	₱2,720,149,866		₱8,854,899,544
Transfer	2,718,170,000	(2,718,170,000)		-
Disposals (Note 17)	(1,823,955,000)	-		(1,823,955,000)
Additions	18,855,993	-		18,855,993
At December 31	7,047,820,671	1,979,866		7,049,800,537
Accumulated Depreciation				
At January 1	666,850,509	-		666,850,509
Depreciation and amortization (Note 16)	190,575,635	-		190,575,635
At December 31	857,426,144	-		857,426,144
Net Book Value	₱6,190,394,527	₱1,979,866		₱6,192,374,393

On September 15, 2020, the Company and APRC executed a deed of absolute sale wherein APRC sells, conveys, transfers, assigns and delivers to the Company a 12- storey building, inclusive of two (2) basement parking levels and located at Inez Villa St. Cebu I.T Park, Brgy. Apas Cebu City, for a consideration amounting to ₱1,450.00 million.

As of December 31, 2020, the investment properties are composed of two (2) stand-alone buildings and two (2) mixed-used properties, which are being leased out for office, retail and serviced apartment. The stand-alone buildings are Solaris One building, located along Dela Rosa St. Legaspi Village, Makati City and Teleperformance Cebu building, located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. The mixed-used properties composed of business process outsourcing and headquarters tower, retail spaces and serviced apartment are ANE property, which is located along Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City and McKinley Exchange, which is under lease and located along McKinley Road corner EDSA, Makati City.

Construction-in-progress pertains to ongoing construction, installation and related activities on certain investment property or other items necessary to prepare it for use. These are transferred to the related investment property account once construction is completed and is ready for service.



Additions include initial direct costs which comprise broker's commission paid to various brokers amounting to nil and P8.46 million in 2020 and 2019, respectively. These are amortized over the lease term on the same basis as the lease income.

The fair value of the investment properties was determined by independent and professionally qualified appraiser on June 17, 2020. The key assumptions and inputs to the valuation (e.g., discount rate and cash flow) as of July 31, 2020 did not materially change as of December 31, 2020 for Solaris One building, ANE property and McKinley Exchange. Fair value of Teleperformance Cebu building was updated from the June 17, 2020 appraisal report to reflect changes in the assumptions as of December 31, 2020. The fair value of investment properties, excluding the portion of ANE building under finance lease, amounted to P30,928.39 million.

The fair value of the Company's investment properties was determined using the Income Approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value.

The following table provides the fair value hierarchy of the Company's investment properties as of December 31, 2020:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	June 17, 2020	P30,928,394,776	P=	P=	P30,928,394,776

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs
Solaris	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
ANE	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
TP Cebu	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
MECC	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2020	2019	2018
Rental income (Note 13)	P1,495,723,891	P1,309,219,345	P696,017,710
Dues (Note 14)	305,087,397	192,320,957	169,314,125
Direct operating expenses (Note 16)	585,302,407	436,017,048	181,014,314

8. Property and Equipment

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	2020	2019
Cost		
Balance at beginning and end of year	P1,888,872	P 1,888,872
Accumulated Depreciation		
Balance at beginning of year	1,868,783	1,837,379
Depreciation (Note 16)	8,036	31,404
Balance at end of year	1,876,819	1,868,783
Net Book Value	P12,053	P20,089



There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2020 and 2019.

There are no contractual purchase commitments for property and equipment as of December 31, 2020 and 2019.

Costs of fully depreciated electronic data processing equipment still in use amounted to ₱1.55 million as of December 31, 2020 and 2019.

9. Accounts and Other Payables

This account consists of:

	2020	2019
Due to related parties (Note 19)	₱405,111,433	₱179,751,118
Accrued expenses		
Repairs and maintenance	14,331,615	6,079,597
Rent	12,654,660	3,298,736
Light and water	10,770,650	12,144,253
Others	18,838,974	29,429,565
Taxes payable	24,485,058	13,233,473
Accounts payable	26,949,888	29,755,900
Retention payable	785,200	785,200
	₱513,927,478	₱274,477,842

Accrued expenses others consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance and representation. These are noninterest-bearing.

Taxes payable consist of amounts payable to taxing authority pertaining to expanded withholding taxes.

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15- to 60-day terms.

Retention payable pertains to the portion of contractor's progress billings withheld by the Company which will be released after the satisfactory completion of the contractor's work. The retention payable serves as a security from the contractor should there be defects in the project. These are noninterest-bearing and are normally settled upon completion of the relevant contract.

10. Construction Bonds

Construction bonds represent cash bonds to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein by the lessee. The bond will be refunded after full completion of the construction, renovation or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to ₱11.11 million as of December 31, 2019 (nil as of December 31, 2020).



11. Deposits and Other Liabilities

This account consists of:

	2020	2019
Advance rentals	P406,952,127	P386,014,343
Security deposits (Note 20)	383,208,715	314,447,416
Deferred credits	61,932,409	66,465,881
	852,093,251	766,927,640
Less current portion	129,399,846	166,793,502
	P722,693,405	P600,134,138

The current portion of these accounts follows:

	2020	2019
Security deposits (Note 20)	P83,737,432	P84,729,181
Advance rentals	45,536,484	81,793,332
Deferred credits	125,930	270,989
	P129,399,846	P166,793,502

Advance rentals

Advance rentals from lessees represent cash received in advance representing three (3) months' rent which will be applied to the last three (3) months' rentals on the related lease contracts.

Security deposits

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term.

The rollforward of security deposits follows:

	2020	2019
Gross Amount		
Balance at beginning of year	P394,737,664	P355,834,182
Additions	66,025,305	80,405,744
Refunds	—	(41,502,262)
Balance at end of year	460,762,969	394,737,664
Unamortized Discount		
Balance at beginning of year	80,290,248	77,202,362
Additions	11,192,260	15,650,424
Accretion (Note 16)	(13,928,254)	(12,562,538)
Balance at end of year	77,554,254	80,290,248
Net Amount	P383,208,715	P314,447,416

Deferred credits

Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward of deferred credits follows:

	2020	2019
Balance at beginning of year	P66,465,881	P69,069,960
Additions	11,192,260	15,650,424
Amortization (Note 13)	(15,725,732)	(18,254,503)
Balance at end of year	61,932,409	66,465,881
Less current portion	125,930	270,989
	P61,806,479	P66,194,892



12. **Equity**

Capital stock

The details of the Company's capital stock as of December 31, 2020 and 2019 follow:

	2020	2019
Authorized	1,174,000,000	1,174,000,000
Par value per share	₱10.00	₱10.00
Issued and outstanding shares	1,025,656,435	977,792,435



The changes in the number of shares follow:

	2020	2019		2018	
	Common	Common	Common	Preferred	
				A	B
Authorized number of shares					
Balance at beginning of year at ₱1 par value	1,174,000,000	1,174,000,000	33,679,500	716,320,500	990,000,000
Reclassification of unissued Preferred A shares (c.i)	—	—	83,020,800	(83,020,800)	—
Reclassification of Preferred A shares held in treasury (c.ii)	—	—	633,299,700	(633,299,700)	—
Reclassification of Preferred B shares held in treasury (c.iii)	—	—	40,000,000	—	(40,000,000)
Reclassification of outstanding preferred Bshares (c.iv)	—	—	950,000,000	—	(950,000,000)
Change in par value from ₱1 to ₱10 (d)	—	—	(1,566,000,000)	—	—
Increase in authorized capital stock at ₱10 par value (b)	—	—	1,000,000,000	—	—
Balance at end of year	1,174,000,000	1,174,000,000	1,174,000,000	—	—
Issued shares					
Balance at beginning of year	1,045,122,405	1,045,122,405	12,924,300	633,299,700	990,000,000
Reclassification of Preferred A shares (c.ii)	—	—	633,299,700	(633,299,700)	—
Reclassification of Preferred B shares (c.iii and c.iv)	—	—	990,000,000	—	(990,000,000)
Change in par value from ₱1 to ₱10 (d)	—	—	(1,472,601,600)	—	—
Issuance of new shares (a and b)	47,864,000	—	881,500,005	—	—
Balance at end of year	1,092,986,405	1,045,122,405	1,045,122,405	—	—
Treasury shares					
Balance at beginning of year	(67,329,970)	(67,329,970)	—	(633,299,700)	(20,000,000)
Redemption of shares	—	—	—	—	(20,000,000)
Reclassification of Preferred A shares (c.ii)	—	—	(633,299,700)	633,299,700	—
Reclassification of Preferred B shares (c.iii)	—	—	(40,000,000)	—	40,000,000
Change in par value from ₱1 to ₱10 (d)	—	—	605,969,730	—	—
Balance at end of year	(67,329,970)	(67,329,970)	(67,329,970)	—	—
Outstanding	1,025,656,435	977,792,435	977,792,435	—	—



- a. On June 23, 2020, the Company's BOD approved the offer and sale of 47,864,000 common shares out of the unissued portions of the authorized capital stock for initial public offering at an offer price of ₱27 per share.
- b. On September 26, 2018, the Company's BOD approved the increase in its authorized capital stock by ₱10 billion additional common shares with a par value of ₱1 per share and approved the subscription of ALI of ₱8.815 billion shares at ₱1 per share.
- c. On the same date, the Company's BOD approved the reclassification of the following shares:
 - i. ₱83,020,800 unissued Preferred A shares with a par value of ₱1 per share;
 - ii. ₱633,299,700 Preferred A shares with a par value of ₱1 per share held in treasury
 - iii. ₱40,000,000 of Preferred B shares with a par value of ₱1 per share held in treasury
 - iv. ₱950,000,000 of outstanding Preferred B shares with a par value of ₱1 into ₱1,706,320,500 Common shares
- d. The Company's BOD also approved the increase in the par value of the common shares from ₱1 to ₱10 per share.

On December 18, 2018, the SEC approved the Company's application for (a) increase in authorized capital stock, (b) reclassification/conversion into common shares of (1) unissued Preferred A shares; (2) Preferred A shares held in treasury; (3) Preferred B shares held in treasury; and (4) outstanding Preferred B shares issued to ALO and its nominees, and (c) the increase in the par value of the common shares from ₱1 to ₱10 per share.

Preferred shares

Preferred shares A have the following features: (a) voting, (b) participating, (c) preferred in liquidation to the extent of par value, and (d) redeemable at the option of the Company.

Preferred shares B have the following features: (a) voting, (b) preferred in dividend over Common, (c) non-cumulative, (d) non-participating, (e) no pre-emptive right to any issue of shares, and (d) redeemable at the option of the Company.

In 2018, preferred shares A and B have all been converted to common shares.

Initial Public Offering (IPO)

On July 10, 2020, the SEC rendered effective the Company's REIT Plan and the registration of its 1,092,986,405 common shares.

On July 15, 2020, the Philippine Stock Exchange, Inc. (PSE) approved the application of the Company for the initial listing of its 1,092,986,405 common shares under the Main Board of the PSE, to cover the Company's IPO.

The Company was listed on the Main Board of the PSE on August 13, 2020.

Additional Paid-in Capital (APIC)

The Company recorded APIC amounting to ₱785.68 million, net of transaction costs. The Company incurred transaction costs incidental to the IPO that is directly attributable to the issuance or subscription of new shares amounting to ₱28.01 million in 2020.

Retained Earnings

On August 17, 2020, the Company's BOD approved the declaration of cash dividends for the first and second quarter of 2020, of ₱0.28 and ₱0.31 per outstanding common share, respectively, to stockholders on record date as of September 2, 2020. These are paid on September 15, 2020.

On November 17, 2020, the Company's BOD approved the declaration of cash dividends for third quarter of 2020, of ₱0.34 per outstanding common share to stockholders on record date as of December 7, 2020. The cash dividend was paid on December 17, 2020 to stockholders.



On April 3, 2019, the Company's BOD approved the declaration of cash dividends of ₱0.98 per share or an aggregate amount of ₱961.30 million to stockholders of record as of the same date. These are paid in 2019.

On September 26, 2018, the Company's BOD approved the declaration of cash dividends of ₱25.96 per common share or an aggregate amount of ₱335.50 million and 5% coupon dividend amounting to ₱48.50 million to Preferred B stockholders of record as of October 26, 2017. These are paid in 2018.

Treasury Shares

On September 26, 2018, the Company's BOD approved the redemption of Preferred B shares amounting to ₱20.00 million which was paid in 2018.

On December 13, 2018, the Company's treasury shares were all converted to common shares.

Capital Management

The primary objectives of the Company's capital management policies are to afford the financial flexibility to support its business initiatives while providing a sufficient cushion to absorb cyclical industry risks and to maximize stakeholder value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. The Company considers its total equity as capital.

The Company's sources of capital as of December 31, 2020, 2019 and 2018 follow:

	2020	2019	2018
Paid-up capital	₱10,929,864,050	₱10,451,224,050	₱10,451,224,050
Additional paid-in capital	785,681,404	—	—
Treasury shares	(673,299,700)	(673,299,700)	(673,299,700)
Retained earnings	1,296,128,252	1,022,804,424	722,691,606
	₱12,338,374,006	₱10,800,728,774	₱10,500,615,956

The Company is subject to external capital requirement as a REIT to have a minimum paid-up capital of ₱300.00 million.

No changes were made in the Company's capital management objectives, policies or processes in 2020, 2019 and 2018.

13. Rental Income

This account consists of:

	2020	2019	2018
Office and retail (Note 17)	₱1,407,588,642	₱1,247,556,282	₱652,943,086
Parking fees (Note 17)	72,409,517	58,112,083	35,142,141
Amortization of deferred credits (Note 11)	15,725,732	18,254,503	7,932,483
	₱1,495,723,891	₱1,323,922,868	₱696,017,710

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to ₱47.44 million, ₱136.66 million and ₱138.75 million in 2020, 2019, and 2018 respectively.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that



are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived a certain percentage in their common area usage expenses.

14. Dues and Interest Income from Finance Lease Receivables

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	2020	2019	2018
Dues	P576,867,882	P519,298,804	P306,666,900
Direct operating expenses			
Utilities	187,486,380	218,098,134	91,418,469
Outside services	40,912,975	63,827,195	20,282,707
Repairs and maintenance	38,119,740	39,120,487	23,682,165
Miscellaneous	5,261,390	5,932,031	1,969,434
	271,780,485	326,977,847	137,352,775
	P305,087,397	P192,320,957	P169,314,125

Set out below is the disaggregation of the Company's revenue from non-lease component:

	2020	2019	2018
Dues:			
Common area charges	P225,709,821	P162,061,630	P160,714,250
Utilities dues	79,377,576	30,259,327	8,599,875
	P305,087,397	P192,320,957	P169,314,125

Interest income from finance lease receivables

This account pertains to accretion of finance lease receivable amounting to P150.81 million and P46.84 in 2020 and 2019, respectively, (see Note 17; nil for the year ended December 31, 2018).

15. Interest and Other Income

Interest Income

This account consists of:

	2020	2019	2018
Interest income from intercompany loans (Note 19)	P78,306,379	P57,948,495	P17,077,503
Interest income from cash in banks (Note 4)	364,206	313,346	95,032
	P78,670,585	P58,261,841	P17,172,535

Gain under Finance Lease

Gain under finance lease pertains to the difference between the fair value of finance lease receivable and the carrying amount of the portion of investment property under finance lease (see Notes 7 and 17).

Other Income

This account pertains to income earned from interest and penalties arising from late payments amounting to P3.66 million, P0.14 million and P0.36 million in 2020, 2019 and 2018 respectively.



16. Costs and Expenses and Other Charges

Direct Operating Expenses

This account consists of:

	2020	2019	2018
Depreciation and Amortization (Note 7 and Note 17)	P225,529,580	P190,575,635	P75,945,553
Taxes and licenses	139,690,380	101,510,662	34,414,200
Land lease (Notes 17 and 19)	110,552,423	97,521,679	39,641,491
Management fees (Note 19)	97,850,770	35,543,753	27,273,745
Insurance	8,249,699	6,125,499	1,611,480
Others	3,429,555	4,739,820	2,127,845
	P585,302,407	P436,017,048	P181,014,314

General and Administrative Expenses

This account consists of:

	2020	2019	2018
Taxes and licenses	P26,806,570	P1,769,095	P1,955,099
Provision for doubtful accounts (Note 5)	7,258,842	–	–
Professional fees	6,529,287	11,025,773	361,920
Depreciation (Note 8)	8,036	31,404	64,162
System costs (Note 19)	–	149,500	154,950
Others	8,871,578	1,205,774	1,637,951
	P49,474,313	P14,181,546	P4,174,082

Interest Expense

This account consists of:

	2020	2019	2018
Interest expense on lease liabilities (Note 17)	P51,490,870	P–	P–
Accretion of security deposit (Note 11)	13,928,254	12,562,538	16,810,309
	P65,419,124	P12,562,538	16,810,309

17. Agreements and Lease Commitments

The Company as lessor - operating lease

The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These noncancellable leases are subject to 5% to 10% annual escalation rate.

The future minimum rentals receivable under noncancellable operating leases are as follows:

	2020	2019	2018
Within one year	P1,580,530,864	P1,247,102,277	P1,043,809,274
After one year but not more than five years	5,332,899,560	5,111,571,372	4,599,357,333
More than five years	492,474,823	341,483,942	1,329,693,902
	P7,405,905,247	P6,700,157,591	P6,972,860,509



Total rental income amounted to ₱1,495.72 million, ₱1,323.92 million and ₱696.02 million in 2020, 2019 and 2018 respectively (see Note 13). Rental income arising from variable rent based on gross sales amounted to ₱5.98 million, ₱2.12 million and nil in 2020, 2019 and 2018, respectively.

In 2020, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱37.59 million. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2020 (see Note 3).

The Company as lessor - finance lease

In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 19). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2020	2019
Within one year	₱347,387,646	₱203,280,000
More than one year and not more than five years	650,496,000	650,496,000
More than 5 years	5,258,176,000	5,552,653,750
Total undiscounted lease payments and unguaranteed residual value	6,256,059,646	6,406,429,750
Less: unearned finance income	4,013,478,591	4,138,497,813
Net investment in the lease	₱2,242,581,055	₱2,267,931,937

The net investment in the lease consists of the present value of minimum lease payments amounting to ₱2,221.09 million. The Company derecognized the portion of investment property under finance lease amounting to ₱1,823.95 million (see Note 7) which resulted to a gain under finance lease amounting to ₱397.14 million in 2019. The Company also recognized interest income earned amounting to ₱150.81 million and ₱46.84 million in 2020 and 2019 (see Note 14; nil in 2018).

The Company remains to be the legal owner of the portion of ANE building under finance lease.

The Company as lessee

On October 5, 2018, ALI assigned to the Company the land lease agreement with HLC with a lease term of 40 years. The agreement pertains to land lease of ANE properties. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 19). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The agreement pertains to land and building lease of MECC. The rent is payable at a fixed monthly rate of ₱2.73 million, subject to 5% annual escalation rate.



The rollforward analysis of lease liability follows:

	2020
Balance at beginning the period	P-
Addition	853,150,009
Interest expense (Note 16)	51,490,870
Payment	(32,796,936)
Balance at the end of the period	871,843,943
Current lease liability	34,300,129
Noncurrent lease liabilities	P837,543,814

The following are the amounts recognized in the statements of comprehensive income from the above lease agreements as lessee:

	2020	2019	2018
Rent expense - variable lease payments (Note 16)	P110,552,423	P97,521,679	P39,641,491
Depreciation expense of right-of-use asset (Notes 7 and 16)	22,382,951	-	-
Accretion of interest expense (Note 16)	51,490,870	-	-
Total amounts recognized in the statements of income	P184,426,244	P97,521,679	P39,641,491

Right-of-use asset and lease liability recognized during the period pertains to new lease agreement for which lease payments are fixed. Prior to December 31, 2019, all lease contracts where the Company is a lessee have lease payment terms that is purely variable linked to future performance or use of the underlying asset, therefore no right-of-use asset is recognized.

On October 1, 2020, APRC assigned to the Company its 31-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Teleperformance Cebu building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is immaterial.

18. Income Tax

Provision for (benefit from) income tax consists of:

	2020	2019	2018
Current	P173,735,934	P202,459,244	P145,243,982
Deferred	(67,232,321)	91,926,271	(1,490,954)
Final	72,840	62,669	19,006
	P106,576,453	P294,448,184	P143,772,034

The current provision for income tax represents RCIT in 2020, 2019 and 2018. Prior to the Company's listing date on August 13, 2020, the Company recognized provision for income tax amounting to P173.74 million. The Company started to avail of its tax incentive as a REIT after its listing.

In 2020, 2019, and 2018 the Company availed of the optional standard deduction (OSD).



As of December 31, 2020 and 2019, the components of net deferred tax liabilities follow:

	2020	2019
Deferred tax assets on:		
Lease liabilities	P15,693,191	P-
NOLCO	7,880,324	-
Advance rentals	6,219,404	60,317,256
Accrued expense	1,018,726	10,395,708
Allowance of credit losses	268,628	1,379,685
	31,080,273	72,092,649
Deferred tax liabilities on:		
Right-of-use asset	(14,953,807)	-
Difference between finance and operating lease method	(8,629,444)	(72,894,340)
Excess of lease income over collections	(7,497,022)	(66,430,630)
	(31,080,273)	(139,324,970)
	P-	(P67,232,321)

As of December 31, 2020, deferred tax assets and liabilities are recognized based on the effective income tax rate of 1.8% under REIT law and due to the Company's availment of OSD.

The Company did not recognize deferred tax assets on temporary difference of NOLCO amounting to P43.49 million as of December 31, 2020.

The Company has incurred NOLCO in the taxable year 2020 which can be claimed as deduction from the regular income tax for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	P481,283,017	P-	P481,283,017	2025

The reconciliation between the statutory income tax rate to the effective income tax rate shown in the statements of comprehensive income follows:

	2020	2019	2018
Statutory income tax rate	30.00%	30.00%	30.00%
Add (deduct) tax effect of:			
Nondeductible expenses	0.32	0.16	3.01
Nontaxable income	(0.36)	(4.17)	(0.35)
Deductible expenses due to option to use OSD	(9.47)	(7.07)	(11.54)
Movement in deferred taxes	3.26	-	-
Unrecognized deferred taxes	1.08	-	-
Deductible dividends	(16.84)	-	-
Effective income tax rate	7.99%	18.92%	21.12%

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.



Terms and Conditions of Transactions with Related Parties

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

Outstanding balances at yearend are unsecured, noninterest-bearing and settlement occurs in cash, unless otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables.

The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial year:

Category	December 31, 2020			
	Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc. (k)	₱2,267,931,937	₱2,242,581,055	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	213,486,694	704,987,832	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Central Block Developers, Inc. (b)	274,478,804	390,088,703	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	125,222,121	205,762,016	Interest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	121,237,212	121,237,212	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	118,928,479	118,928,479	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	68,493,570	117,088,223	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	57,403,674	88,744,234	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	77,652,336	77,652,336	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,900,715	59,689,408	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,641,856	52,641,856	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	44,908,188	50,596,462	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,622,649	42,812,127	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	26,378,532	26,479,453	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	25,607,965	25,607,965	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	24,393,442	24,393,442	Interest-bearing; On demand	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)	22,539,460	22,539,460	Interest-bearing; On demand	Unsecured; No impairment
Leisure and Allied Industries Phils. Inc. (b)	20,050,000	20,050,000	Interest-bearing; On demand	Unsecured; No impairment
Sicogon Island Tourism Estate Corp. (b)	18,027,500	18,027,500	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	15,022,155	15,022,155	Interest-bearing; On demand	Unsecured; No impairment
Nuevocentro, Inc. (b)	11,072,450	11,072,450	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	10,009,511	10,009,511	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (k)	8,605,250	8,605,250	Noninterest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (j)	10,524,108	8,432,222	Noninterest-bearing; On demand	Unsecured; No impairment
Sicogon Town Hotel, Inc. (b)	8,014,056	8,014,056	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,352,954	4,352,954	Interest-bearing; On demand	Unsecured; No impairment

(Forward)



December 31, 2020				
Category	Volume	Outstanding Balance	Terms	Conditions
Airswift Transport, Inc. (b)	P2,550,667	P2,550,667	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	518,902	2,507,137	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	2,030,502	2,030,502	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,816,394	1,816,394	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	561,175	561,175	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	119,225	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	39,830	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	38,382	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	4,661,787	33,114	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	11,930	11,930	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	150	150	Interest-bearing; On demand	Unsecured; No impairment
		P P2,242,543,812		

*Entities under common control

December 31, 2020				
Category	Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	P86,040,072	P306,091,203	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc. (m)	37,373,124	37,373,124	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (n)	28,598,120	28,598,120	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation (c)	20,987,186	13,773,210	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	6,720,868	6,720,868	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	42,535,151	3,317,064	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	4,157,942	4,157,942	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Manila Water Company, Inc. (l)	2,061,853	2,061,853	Noninterest-bearing; On demand	Unsecured
Others**	998,590	998,590	Interest-bearing and noninterest-bearing; On demand	Unsecured
		P P405,111,433		

*Entities under common control

**Entities below P2.00 million

December 31, 2019				
Category	Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc. (k)	P2,267,931,937	P2,267,931,937	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	75,070,139	514,752,540	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Bay City Commercial Ventures Corp. (b)	386,891,522	386,891,522	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	319,356,979	170,643,021	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	119,644,900	119,644,900	Interest-bearing; On demand	Unsecured; No impairment

(Forward)



December 31, 2019				
Category	Volume	Outstanding Balance	Terms	Conditions
Central Block Developers, Inc. (b)	₱50,309,899	₱115,609,899	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	100,217,708	100,217,708	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	43,715,380	80,539,895	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	48,594,653	48,594,653	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	5,218,238	42,018,238	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	41,189,478	41,189,478	Interest-bearing; On demand	Unsecured; No impairment
Bank of the Philippine Islands (i)	38,190,369	38,190,369	Noninterest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	37,788,693	37,788,693	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	31,340,560	31,340,560	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	9,628,326	25,371,674	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,089,157	21,722,132	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	12,026,125	13,582,349	Interest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (j)	111,608,067	7,491,933	Noninterest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	5,688,274	5,688,274	Interest-bearing; On demand	Unsecured; No impairment
Others**	5,415,182	2,611,784	Interest-bearing and noninterest-bearing; On demand	Unsecured; No impairment
		₱ 1,803,889,622		

*Entities under common control

**Entities below ₱2.00 million

December 31, 2019				
Category	Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱62,736,563	₱153,545,941	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
Direct Power Services, Inc. (d)	5,811,587	10,334,751	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation (c)	5,648,541	5,648,541	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	3,592,279	4,218,940	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	2,549,092	2,922,779	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Others**	1,452,570	1,060,707	Noninterest-bearing; On demand	Unsecured
		₱ 179,751,118		

*Entities under common control

**Entities below ₱2.00 million

The following describes the nature of the material transactions of the Company with related parties in 2020, 2019 and 2018:

- (a) The Company's intercompany receivable from ALI pertains to collection of lease payments of tenant on behalf of the Company amounting to ₱29.63 million as of December 31, 2020, 2019 and 2018 and payment of operating expenses for and on behalf of ALI amounting to ₱0.02 million and ₱0.66 million as of December 31, 2019 and 2018, respectively.

ALI handles the lease management and marketing functions including key management personnel services of the Company and is entitled to receive a management fee. The Company recognized management fee amounting to ₱13.33 million in 2020, ₱20.00 million in 2019 and 2018 (see Note 16).



The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris and Teleperformance Cebu buildings are located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱39.04 million, ₱35.98 million and ₱36.32 million in 2020, 2019 and 2018 respectively (see Note 16).

ALI allocated system costs amounting to ₱0.15 million in 2019 and 2018 (see Note 16; nil in 2020).

On January 31, 2020, the Company entered into a contract of lease with ALI wherein ALI assigned, transferred, conveyed into the Company all of its rights and interests under existing tenant contracts which ALI had entered into with retail merchants and office tenants in connection with the development of MECC property. In addition, the contract of lease with ALI also contains the assumption of obligations wherein the Company thereby assumed all obligations of the ALI under the existing tenant contracts in MECC property.

On February 1, 2020, ALI transferred the advance rent, security deposits and initial direct cost incurred for existing tenants of MECC property amounting to ₱75.09 million. Furthermore, payable amounting to ₱9.14 million as of December 31, 2020 pertain to expenses paid by ALI on behalf of AREIT for MECC operations.

- (b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.63% to 5.50%, 2.64% to 6.25% and 2.36% to 2.98% per annum in 2020, 2019 and 2018 respectively.

The Company recognized interest income amounting to ₱78.31 million, ₱57.95 million and ₱17.08 million in 2020, 2019 and 2018 respectively (see Note 15).

Documentary stamp tax is paid by the borrowers at the time of the loan.

- (c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱71.51 million, ₱61.54 million and ₱3.32 million in 2020, 2019 and 2018 respectively (see Note 16).
- (d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱42.54 million, ₱77.04 million, ₱47.26 million in 2020, 2019 and 2018, respectively of which the remaining payable amounted to ₱3.32million and ₱10.33 million as of December 31, 2020 and 2019, respectively.
- (e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2020, 2019 and 2018.
- (f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company prior to its listing in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱12.60 million, ₱15.54 million and ₱7.27 million in 2020, 2019 and 2018 respectively (see Note 16).



- (g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱4.66 million, ₱4.25 million and ₱2.68 million in 2020, 2019 and 2018, respectively, of which the remaining receivable amounted ₱0.03 million and ₱2.85 million as of December 31, 2020 and 2019, respectively.
- (h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱4.16 million, ₱2.92 million and ₱0.37 million in 2020, 2019 and 2018 respectively. The Company recognized accounting shared services in "Others" under "Direct operating expenses" in the statements of comprehensive income amounting to nil in 2020, ₱0.93 million in 2019 and 2018, respectively.
- (i) Bank of the Philippine Islands, an associate of AC, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱105.06 million, ₱116.74 million and ₱2.01 million in 2020, 2019 and 2018 respectively, of which the remaining receivable amounted to nil and ₱38.19 million as of December 31, 2020 and 2019, respectively.
- (j) First Gateway Real Estate Corporation (FGREC), a subsidiary of ALOI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱10.52 million, ₱4.78 million and nil in 2020, 2019 and 2018, respectively.
- (k) This pertains to the receivable arising from lease agreement with MNHVI (see Note 17). The Company recognized finance lease receivable amounting to ₱2,267.93 million. This includes interest income accretion amounting to ₱150.81 million and ₱46.84 million in 2020 and 2019 (nil in 2018, (see Note 15).

The Company also recognized receivable amounting to ₱8.61 million pertaining to payment for land lease on behalf of MNHVI.

Gain under finance lease amounted to nil, ₱397.14 million and nil in 2020, 2019 and 2018, respectively (see Notes 15 and 17).

- (l) The Company's intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱2.06 million and ₱0.86 million in 2020 and 2019.

The Company recognized utility services in "Utilities" under "Dues" in the statements of comprehensive income amounting to ₱7.50 million and ₱1.25 million in 2020 and 2019 (nil in 2018; see Notes 14).

- (m) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. The Company recognized management fees amounting to ₱37.37 million in 2020 (nil 2019 and 2018).
- (n) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided that such fee shall not exceed 1% of the net asset value of the properties being managed. The Company recognized management fees amounting to ₱34.54 million in 2020 (nil in 2019 and 2018).



Cash in bank

The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to P22.21 million, P54.81 million and P4.39 million in 2020, 2019 and 2018, respectively (see Note 4). Interest income earned from these deposits amounted to P105,903, P41,175 and P34,038 in 2020, 2019 and 2018 respectively (see Note 15).

Compensation of Key Management Personnel

The key management functions of the Company are handled by ALI, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (a), (m) and (n) above.

20. Financial Assets and Liabilities

Fair Value Information

Except for the Company's security deposits, which are disclosed below, carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	P383,208,715	P370,671,041	P314,447,416	P335,432,923

Fair Value Hierarchy

As of December 31, 2020 and 2019 the Company has no financial instrument measured at fair value. In 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

The fair value of the Company's security deposits is categorized under Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2020, 2019 and 2018 are shown below:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Security deposits	DCF Method	Discount rate	2020: 3.14%-4.75% 2019: 0.10%-4.36% 2018: 0.39%-5.39%	Increase (decrease) in the discount would decrease (increase) the fair value

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to credit, interest rate and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;



- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Prior to Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (see Note 19).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for the trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of December 31, 2020 and 2019, 74.58%, and 69.08% of the Company's trade receivables are covered by security deposits, respectively. Trade receivables include accrued rent amounting to ₱416.50 million and ₱369.06 million as of December 31, 2020 and 2019, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱14.92 million and ₱7.66 million as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of December 31, 2020 (nil as of December 31, 2019), ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

The Company did not provide any allowance relating to receivable from related parties in prior year. There are also no ECL recognized in the current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.



The Company's maximum exposure to credit risk as of December 31, 2020 and 2019 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

2020				
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	P58,955,047	P-	P58,955,047	P-
Receivables				
Finance lease receivable	2,242,581,055	2,677,510,000	-	2,242,581,055
Due from related parties	2,233,081,973	-	2,233,081,973	-
Trade receivables	513,817,255	360,671,041	143,146,214	360,671,041
Other receivables	897,650	-	897,650	-
Recoverable deposits	10,034,460	-	10,034,460	-
	P5,059,367,440	P3,038,181,041	P2,446,115,344	P2,603,252,096

2019				
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	P122,158,106	P-	P122,158,106	P-
Receivables				
Finance lease receivable	2,267,931,937	2,461,200,000	-	2,267,931,937
Due from related parties	1,803,889,622	-	1,803,889,622	-
Trade receivables	486,947,707	335,432,923	153,486,192	333,461,515
Other receivables	374,307	-	374,307	-
Recoverable deposits	-	-	-	-
	P4,681,301,679	P2,796,632,923	P2,079,908,227	P2,601,393,452

Liquidity risk

The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost and ensures the availability of ample unused credit facilities as back-up liquidity.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

2020				
	< 1 year	1 to 5 years	> 5 years	Total
<i>Financial assets</i>				
Cash in banks	P58,955,047	P-	P-	P58,955,047
Receivables				
Finance lease receivable	52,682,832	56,549,854	2,133,348,369	2,242,581,055
Due from related parties	2,242,543,812	-	-	2,242,543,812
Trade receivables*	147,567,643	351,325,853	-	498,893,496
Other receivables	897,650	-	-	897,650
Recoverable deposits	10,034,460	-	-	10,034,460
	P2,512,681,444	P407,875,707	P2,133,348,369	P5,053,905,520

(Forward)



	2020			Total
	< 1 year	1 to 5 years	> 5 years	
<i>Financial liabilities</i>				
Accounts and other payables				
Due to related parties	P405,111,433	P-	P-	P405,111,433
Accrued expenses	56,595,899	-	-	56,595,899
Accounts payable	26,949,888	-	-	26,949,888
Retention payable	785,200	-	-	785,200
Security deposits	83,737,432	299,471,283	-	383,208,715
	P573,179,852	P299,471,283	P-	P872,651,135

*net of allowance for expected credit losses

	2019			Total
	< 1 year	1 to 5 years	> 5 years	
<i>Financial assets</i>				
Cash in banks	P122,158,106	P-	P-	P122,158,106
Receivables				
Finance lease receivable	52,682,832	56,549,854	2,158,699,251	2,267,931,937
Due from related parties	1,803,889,622	-	-	1,803,889,622
Trade receivables*	145,217,999	334,064,791	-	479,282,790
Other receivables	374,307	-	-	374,307
Recoverable deposits	-	-	-	-
	P2,124,322,866	P390,614,645	P2,158,699,251	P4,673,636,762

<i>Financial liabilities</i>				
Accounts and other payables				
Due to related parties	P179,751,118	P-	P-	P179,751,118
Accrued expenses	50,952,151	-	-	50,952,151
Accounts payable	29,755,899	-	-	29,755,899
Retention payable	785,200	-	-	785,200
Construction bonds	11,105,498	-	-	11,105,498
Security deposits	84,729,181	229,718,235	-	314,447,416
	P357,079,047	P229,718,235	P-	P586,797,282

*net of allowance for credit losses

21. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2020, 2019 and 2018 were computed as follows:

	2020	2019	2018
Net income	P1,227,184,313	P1,261,410,487	P537,091,374
Weighted average number of common shares	996,151,230	977,792,435	169,750,764
Basic/Diluted earnings per share	P1.23	P1.29	P3.16

The weighted average number of common shares for the year ended December 31, 2018 is adjusted for the change in par value from P1 to P10 and the reclassification of preferred shares to common shares made by the Company on December 18, 2018.

The Company also assessed that there were no potential dilutive common shares in 2020, 2019 and 2018.



22. Segment Reporting

The Company has determined that it is currently operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Company's two-building lease operation is its only income-generating activity, and such is the measure used by the Chief Operating Decision Maker in allocating resources.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱376.59 million and ₱255.97 million for the year ended December 31, 2020.

23. Notes to Statements of Cash Flow

The Company's noncash operating and investing activities are as follows:

Operating

- Receivable from ALI amounting to ₱75.09 million pertains to security deposits, advance rentals, and fixed charges collected from MECC tenants in 2020.
- Interest income from finance lease amounting to ₱150.81 million and ₱46.84 million in 2020 and 2019 (nil in 2018; see Notes 15, 17, 19).
- Interest expense arising from accretion of security deposit amounting to ₱13.93 million, ₱12.56 million and in ₱16.81 million in 2020, 2019 and 2018 respectively.
- Noncash movement of "Receivables" and "Investment properties" arising from lease agreement with MNVHI amounting to ₱2,221.09 million and ₱1,823.96 million, respectively, in 2019 (nil in 2018; see Notes 7, 17, 19).
- Uncollected advance rent and security deposits amounting to ₱408.31 million in 2018 (nil in 2020 and 2019; see Note 19).

Investing

- Movement in intercompany loans presented under investing activities amounting to ₱343.30 million, ₱199.00 million and ₱1,097.81 million in 2020, 2019 and 2018 respectively, is accounted as movement in "Receivables" that is presented under operating activities.
- Recognition of right-of-use asset recorded under "Investment properties" and lease liability amounting to ₱853.15 million.

24. Events After the End of the Reporting Period

On January 5, 2021, the Company entered into a deed of absolute sale with Technopark Land, Inc., a subsidiary of AC to acquire 98,179 square meters of land for ₱1.1 billion (VAT inclusive). Located in Laguna Technopark, the land is composed of four parcels occupied by Integrated Micro-Electronics, Inc., a subsidiary of AC, in two sites currently under a long-term lease for its global manufacturing and technology solutions. The acquisition was partially funded through debt.

On January 15, 2021, the Company entered into a deed of absolute sale with ALI for the acquisition of The 30th Commercial Development for ₱5.1 billion (VAT inclusive). Located along Meralco Avenue in Pasig City, it is a building with a total gross leasable area (GLA) of 75 thousand square meters composed of an office tower and a retail podium.



On January 29, 2021, the Company entered into short-term loan agreements with Bank of the Philippine Islands and Philippine National Bank for ₱4.00 billion and ₱145.00 million, respectively.

On February 24, 2021, the Company's BOD approved the declaration of cash dividends of ₱0.39 per outstanding common share for the fourth quarter of 2020. The cash dividends will be payable on March 25, 2021 to stockholders on record as of March 15, 2021. This will result into total cash dividends of ₱1.32 per outstanding common share from its full year 2020 operations.

25. Other Matters

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions to the Company's business activities. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

As of reporting date, establishments have reopened at adjusted operating hours and construction projects have resumed while following the safety protocols mandated by the national government. The Company's offices, retails and serviced apartment remained open throughout the community quarantine period, catering mostly to business process outsourcing employees and returning overseas Filipino workers.

26. Report on the Supplementary Information Required Under RR 15-2010

Value added tax (VAT)

The National Internal Revenue Code (NIRC) of 1997, as amended, also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company's taxable sales are based on actual collections received, hence may not be the same as amounts accrued in the statements of comprehensive income. The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2020

Receipts and output VAT declared in the Company's VAT returns in 2020

	Net Receipts	Output VAT
Taxable receipts	₱834,496,812	₱100,139,617

The Company, in its 2020 VAT declarations, has reported Net Receipts of ₱834,496,812 and output VAT of ₱100,139,617. These amounts arise from the Company's interest income on intercompany loans.

Details of Input VAT follow:

Balance at January 1, 2020	₱409,505,794
Capital Goods not subject for Amortization	170,351
Input tax on depreciable capital good not attributable to any specific activity	175,507,085

(Forward)



Domestic purchases/payments for:	
Domestic purchases of services	₱708,006
Purchase of goods other than capital goods	29,464,832
Total Input VAT	615,356,068
Less applied against output VAT	100,139,617
Balance at December 31, 2020	₱512,216,451

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included in "Taxes and licenses" under "Direct operating expenses" and "General and Administrative expenses" in the statements of comprehensive income. Details of other taxes and licenses in 2020 follow:

<u>Local</u>	
Real property tax	₱119,020,445
Business permit	17,800,331
Community tax	10,500
Others	2,670,426
	139,501,702
<u>National</u>	
Fire permit	116,178
BIR annual registration	500
Others	85,795
	202,473
	₱139,704,175

Withholding Taxes

The Company's expanded withholding taxes for the year amounted to ₱9,945,601. Out of which, ₱4,315,169 remain outstanding as part of "Taxes payable" under "Accounts and other payables" as of December 31, 2020.

Taxes on Importation

The Company has not made any importations in 2020.

Excise Tax

The Company has no transaction subject to excise tax in 2020.

Documentary Stamp Tax

The Company paid documentary stamp tax amounted ₱5.27 million for the year ended December 31, 2020 pertaining to lease contracts of various tenants.

Tax Contingencies

The Company did not receive any Letter of Assessment, Preliminary Assessment Notice and Final Tax Assessment before or during 2020, nor it has tax cases under preliminary investigations, litigation, and/or prosecution in courts or bodies outside the administration of the Bureau of Internal Revenue.

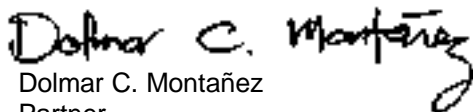


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated February 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

February 24, 2021

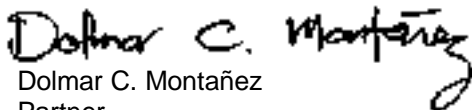


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated February 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

February 24, 2021



AREIT, INC.**INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock
68-D	Reconciliation of Related Earnings Available for Dividend Declaration
68-I	Schedule of Listed Companies with a Recent Offering of Securities to the Public

SCHEDULE A**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2020**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱36,746,184	₱36,746,184	₱258,303
Bank of Philippine Islands	22,208,863	22,208,863	105,903
	58,955,047	58,955,047	364,206
Receivables			
Related parties	4,485,124,867	4,485,124,867	229,120,496
Third parties	513,817,255	513,817,255	–
Others	897,650	897,650	–
	4,999,839,772	4,999,839,772	229,120,496
	₱5,058,794,819	₱5,049,332,981	₱229,433,841

SCHEDULE B

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS,
OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN
RELATED PARTIES)
DECEMBER 31, 2020**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED
PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2020

Long-term Debt			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long- term debt" in related balance sheet
N/A	N/A	N/A	N/A

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2020**

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020

Guarantees of Securities of Other Issuers				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2020

Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,174,000,000	1,025,656,435	–	1,025,656,428	7	–

AREIT, INC.
**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
 AVAILABLE FOR DIVIDEND DECLARATION
 DECEMBER 31, 2020**

Unappropriated Retained Earnings, beginning	₱1,022,804,424
Less: Deferred tax assets	72,092,649
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	950,711,775
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	₱1,227,184,313
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the period	(31,080,273)
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	-
Fair Value adjustment (M2M gains)	-
Fair Value adjustments of Investment Properties resulting to gain adjustment due to deviation from PFRS/GAAP – gain	-
Other unrealized gains or adjustments to the Retained Earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	1,196,104,040
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustments due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustments of Investment Properties (after tax)	-
Net income Actual/Realized	1,196,104,040
Add (Less):	
Dividend declarations during the year	(953,860,485)
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
	(953,860,485)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱1,192,955,330

AREIT, INC.

**SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF
SECURITIES TO THE PUBLIC
DECEMBER 31, 2020**

1. Gross and net proceeds as disclosed in the final prospectus

₱ 1,292,328,000

2. Actual gross and net proceeds

₱ 1,292,328,000

3. Each expenditure item where the proceeds were used

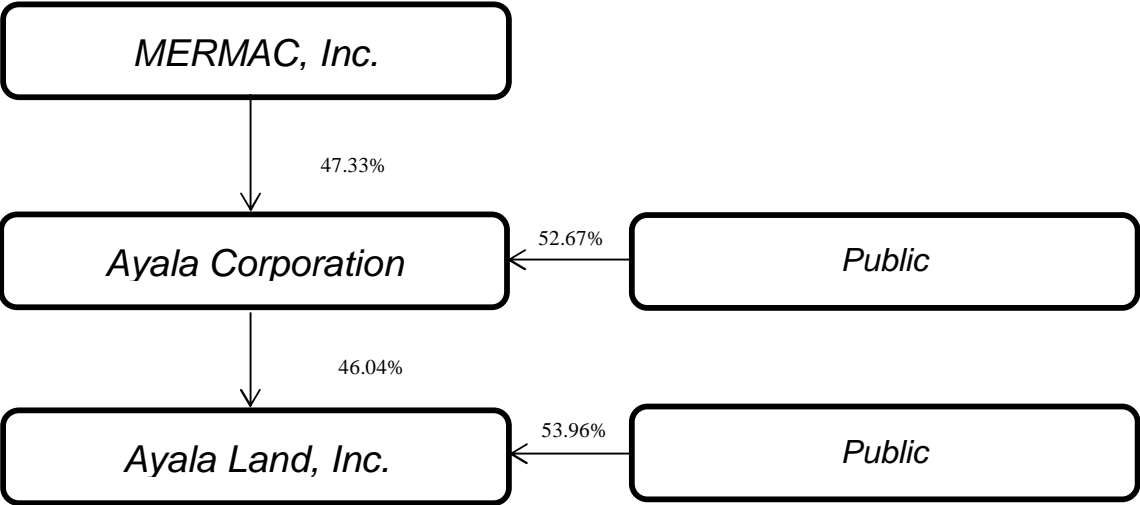
IPO Proceeds as of August 13, 2020	₱1,292,328,000
Less: Initial Payment for the acquisition of Teleperformance Cebu	310,300,000
Intercompany loans to affiliates	982,028,000
Balance of IPO Proceeds as of September 30, 2020	<u>₱-</u>
Add: Collection of Intercompany loans to affiliates	₱982,028,000
Less: Final Payment for the acquisition of Teleperformance Cebu	982,028,000
Balance of IPO Proceeds as of December 31, 2020	<u>₱-</u>

4. Balance of the proceeds as of end of reporting period

₱ -

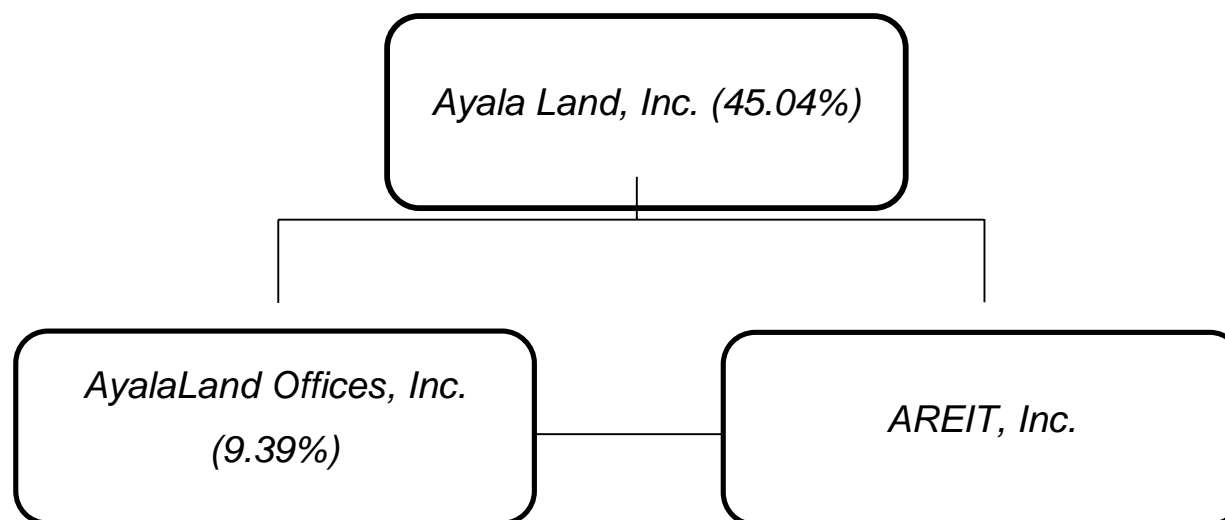
AREIT, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2020



AREIT, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2020



AYALA LAND, INC.

Cagayan de Oro Gateway Corp. (70%)

Adauga Commercial Corporation (60%)

Alabang Commercial Corporation (50%)

Ayala Property Management Corp. (100%)

Soltea Commercial Corp. (60%)

Southgateway Development Corp. (100%)

Makati Development Corporation (100%)

Ayala Theatres Management, Inc. & S. (100%)

CMPI Holdings, Inc. (60%)

Ayalaland MetroNorth, Inc. (100%)

Ayala Hotels, Inc. (50%)

DirectPower Services, Inc. (100%)

ALI-CII Development Corporation (50%)

North Triangle Depot Commercial Corp. (73%)

AyalaLand Hotels and Resorts Corp. (100%)

Phil. Integrated Energy Solutions, Inc. (100%)

Roxas Land Corporation (50%)

BGWest Properties, Inc. (50%)

Lagdigan Land Corp. (60%)

Five Star Cinema, Inc. (100%)

Ten Knots Phils, Inc. (60%)

Ten Knots Development, Corp. (60%)

Southportal Properties Inc. (65%)

Leisure and Allied Industries Philippines, Inc. (50%)

ALInet.com, Inc. (100%)

First Longfield Investments Limited (100%)

Aprisa Business Process Solutions, Inc. (100%)

AyalaLand Club Management, Inc. (100%)

Varejo Corp. (100%)

Ayala Land Malls, Inc. (100%)

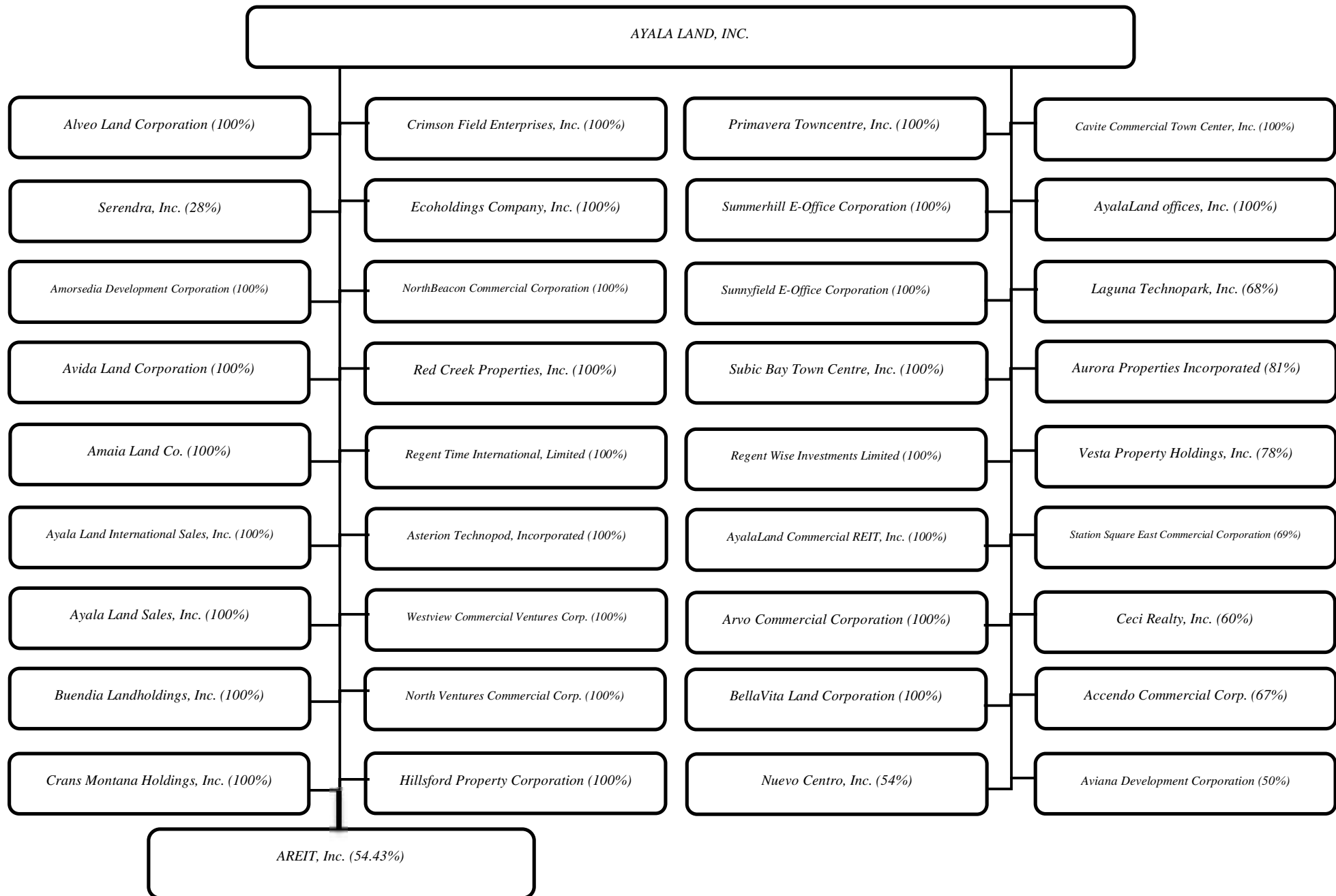
Verde Golf Development Corporation (100%)

Whiteknight Holdings, Inc. (100%)

ALI Commercial Center Inc. (100%)

Cebu Holdings Inc. (71%)

AREIT, Inc. (54.43%)



AREIT, INC.**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2020**

Ratio	Formula	2020	2019	2018
Current ratio	Current assets / Current liabilities	3.72	4.35	4.93
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash)	0.08	0.24	0.06
Solvency ratio	EBITDA / Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	0.00	0.00	0.00
Debt-to-equity ratio	Total debt / Stockholders' equity	0.00	0.00	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	1.19	1.11	1.10
Interest rate coverage ratio	EBITDA / Interest expense	23.63	100.04	45.00
Return on equity	Net income / Average total stockholders' equity	0.11	0.12	0.09
Return on assets	Net income after tax / Average total assets	0.09	0.11	0.08
Net profit margin	Net income / Total revenue	0.63	0.81	0.62