



Property-for-Share Swap between Ayala Land, Inc., Mermac, Inc., and Ayala Corporation

Fairness Opinion Report

STRICTLY PRIVATE & CONFIDENTIAL

January 20, 2022

Ayala Land, Inc.

31/F Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

Ayala Corporation

34/F Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

Attention: Boards of Directors of Ayala Land, Inc. and Ayala Corporation

Re: Fairness Opinion Report

Ladies and Gentlemen:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Fairness Opinion Report ("Report") covering the property-for-share swap transaction in relation to the planned infusion of certain assets (the "Assets") of Ayala Corporation ("AC") and Mermac, Inc. ("Mermac") to Ayala Land, Inc. ("ALI").

AC and Mermac intend to transfer their ownership in Assets to ALI in exchange for primary shares to be issued by ALI (the "Transaction"). The Assets include AC's 50 percent stake in Ayala Hotels, Inc. which owns the land leased to Manila Peninsula Hotel, Inc. and is the partner of ALI for the Park Central Towers condominium project; 100 percent stake in Darong Agricultural and Development Corporation which has business operations in Davao del Sur, together with three lots in the same area; site of Honda Cars Pasig; 32nd to 35th floors and parking slots in Tower One and Exchange Plaza (35th floor is 62.65 percent owned by AC and 37.35 percent owned by Mermac); and land in Calauan, Laguna.

FTI Consulting has been asked to render an opinion on whether the number of primary shares to be issued by ALI in exchange for the Assets owned by AC and Mermac are fair from a financial point of view.

FTI Consulting conducted a valuation study of both the ALI shares and the Assets in accordance with the International Valuation Standards (“IVS”) to determine the fairness of the consideration to be transferred and consideration to be received by AC and Mermac. The following standards were used:

- IVS 101 Scope of Work
- IVS 102 Investigations and Compliance
- IVS 103 Reporting
- IVS 104 Bases of Value
- IVS 105 Valuation Approaches and Methods
- IVS 200 Business and Business Interests
- IVS 400 Real Property Interests*
- IVS 410 Development Property*

The Valuation Date is 31 August 2021, with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value (also referred to as “Fair Value”) is the basis of value used in this engagement. Market Value according to IVS is defined as the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the property-for-share swap transactions. Such fairness opinion must be supported by a valuation report.

FTI Consulting is an independent firm accredited by the PSE (PSE Accreditation CN 2017-0064 renewed on October 11, 2017) for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the Exchange in compliance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the Securities and Exchange Commission (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in accordance with SEC Memorandum No. 2 Series of 2014 (Guideline on Asset Valuation).

Summary of Findings

Valuation of ALI Shares

ALI was valued using the Sum-of-the-Parts (SOTP) Method. Various valuation methodologies were considered in valuing each strategic business unit (SBU) under ALI such as the Discounted Cash Flows (DCF) and Residual methods of the Income Approach; Market Capitalization, Volume Weighted Average Price, and Comparable Public Companies methods of the Market Approach; and the Net Asset Value (NAV) method of the Cost Approach.

Based upon discussions with and representations of ALI's management, research conducted, and the valuation analyses performed, the estimated valuation range of ALI as of the Valuation Date is from **PHP727.38 billion** to **PHP1,125.41 billion** or **PHP49.44** to **PHP76.50** per share.

Valuation of the Assets

We applied different valuation approaches and methodologies to estimate the fair range of market values for each of the Assets. These include the DCF method, direct capitalization method, term and reversion method, and NAV method.

Based upon discussions with and representations of AC's and Mermac's respective managements, research conducted, and the valuation analyses performed, the total market value of the Assets owned by AC was estimated within the range of **PHP16.58 billion** and **PHP22.41 billion** and the total market value of the Assets owned by Mermac was estimated within the range of **PHP0.11 billion** and **PHP0.14 billion**.

Fair Range of ALI shares to be Exchanged

Given the range of market values for ALI shares and the Assets, we determined the range of ALI shares to be issued which is considered fair from a financial point of view as shown in Exhibit 1.

Exhibit 1. Fair Range of ALI Shares to be Issued

In Billions, except for per share values and shares to be issued	Assets Market Value (PHP)		ALI's Price Per Share (PHP)		Fair Range of Shares to be Issued*	
	Low	High	Low	High	Low (in millions)	High (in millions)
Assets owned by AC	16.58	22.41	49.44	76.50	216.77	453.25
Assets owned by Mermac	0.11	0.14	49.44	76.50	1.44	2.81

Source: FTI Consulting Analysis

*Calculated by dividing the market value range of Assets by ALI's price per share.

Valuation Conclusion and Fairness Opinion

Exhibit 2 shows the comparison of the fair range of ALI shares to be issued calculated by FTI Consulting and the proposed number of shares to be issued by ALI's management in the Transaction.

Exhibit 2. Comparison of the Fair Range of ALI Shares to be Issued and the Proposed Number of Shares to be Issued by ALI

Total Number of Shares	Fair Range of Shares to be Issued		Proposed Number of Shares to be issued by ALI
In Millions	Low	High	
Total number of shares to AC	216.77	453.25	309.60
Total number of shares to Mermac	1.44	2.81	1.98

Source: FTI Consulting Analysis, AC, Mermac, and ALI Management

Given that the total numbers of shares to be issued by ALI to AC and Mermac both fall within our fair range of the total number of shares that ALI can issue in exchange for the Assets (as seen in Exhibit 2), the proposed Transaction is fair from a financial point of view.

Statement of Limitations

- This Report opines solely on the fairness of the number of primary shares to be issued by ALI and the valuation of the Assets to be transferred by AC and Mermac. It does not opine as to the operational merits or strategic rationale of the Transaction.
- In the preparation of the valuation report, FTI Consulting relied on available information and records, including but not limited on the representation of ALI and AC, audited and unaudited financial statements, reports of competent entities and regulatory agencies, and such other relevant supporting documents.
- While our work may include an analysis of financial and accounting data, our work does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls, or other attestation or review services in accordance with standards established by the Auditing and Assurance Standards Council ("AASC"). Accordingly, we do not express an opinion or any other form of assurance on the financial statements of ALI and AC or any financial or other information.
- With respect to prospective financial information relative to the Properties referenced throughout the valuation report, we did not examine, compile, or apply agreed-upon procedures to such information in accordance with standards established by the AASC and we express no assurance of any kind on such information. There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievability of the expected results anticipated by the Management.
- Management is responsible for any and all financial information provided to us during the course of our work.

Statement of Compliance

- The Report is not approved by an internal committee. The Report is reviewed and approved by the Senior Managing Directors of FTI Consulting.
- The Report does not express an opinion about the fairness of the compensation in the Transaction to any of ALI's or AC's or Mermac's directors, officers, or employees relative to the compensation to ALI's or AC's shareholders.
- FTI Consulting did not act as a financial advisor to any party to the Transaction and did not or will not receive a payment that is contingent on the successful completion of the transaction, for rendering the fairness opinion.
- There is no material relationship between FTI Consulting and any party to the Transaction during the prior two years in which compensation was received or intended to be received.
- Information with respect to ALI's, AC's, and Mermac's operations and account balances purported to be in effect and described in our valuation report was obtained primarily through analyses provided by and discussions with ALI's and AC's management ("Management").
- FTI Consulting performed appropriate analysis to evaluate inputs and assumptions, and their appropriateness for the valuation purpose.
- Members of FTI Consulting, particularly those who are registered Certified Public Accountants and Chartered Financial Analysts, are compliant with the Code of Ethics of the Philippine Institute of Certified Public Accountants and the CFA Institute Code of Ethics.
- A brief description of FTI Consulting and the educational and professional qualification of its representatives who conducted the valuation is included in our valuation report.

Should you require clarification on any of the matters contained in this Report or any further information, we would be pleased to meet and discuss.

Yours faithfully,

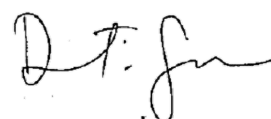
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