



Isla Lipana & Co.

12 April 2021
The Board of Directors

Ayala Land, Inc.
28th Floor Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue
Makati City, 1226, Philippines

Cebu Holdings, Inc.
20th Floor, Ayala Center Cebu Tower
Bohol Street, Cebu Business Park,
Cebu City

Attention: Ma. Luisa D. Chiong
Chief Financial Officer of Cebu Holdings, Inc.

Gentlemen:

You, the Board of Directors of Ayala Land, Inc. (“ALI”, or the “Parent Company”) and Cebu Holdings, Inc. (“CHI”) have requested our opinion (“Opinion”) as to the fairness of the values of the shares of ALI and CHI to comply with the requirements of the Philippine Stock Exchange and/or Securities and Exchange Commission in relation to ALI’s and CHI’s planned equity swap transaction (the “Transaction”).

The Valuation Date is 31 December 2020. The valuation was performed at the consolidated level of ALI and CHI Groups, by considering the standalone values of ALI, CHI and their respective subsidiaries, associates, and joint ventures (collectively, the “Group/s” or “Subject Entities”).

In connection with our Opinion, we have:

- i. Considered certain financial, operational, and other information relating to the Groups that were publicly available or have been furnished to us by the Groups’ management (the “Management”), including historical performance and/or financial forecasts of each of the Subject Entities;
- ii. Discussed with members of the Management to understand the Groups’ businesses, operations, historical financial results, strategic plans, and financial forecasts;
- iii. Considered certain financial data of the Groups and compared those with similar data for other publicly-held companies engaged in businesses similar to those of the Groups;
- iv. Evaluated the financial consideration for acquisitions or disposals of certain publicly-listed and privately-held companies engaged in businesses similar to those of the Groups;

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v. Performed discounted cash flow (DCF), net asset value, and relative valuation approaches in estimating the fair value of the shares of the Groups; and

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

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

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

ii. In arriving at our Opinion, we have adopted the relevant provisions of the latest edition of the International Valuation Standards (IVS) in the valuation report dated 12 April 2021 for the Groups. In particular, we have used the following relevant provisions in performing the valuation analyses and procedures:

- (a) IVS 101 scope of work,
- (b) IVS 103 reporting,
- (c) IVS 104 bases of value,
- (d) IVS 105 valuation approaches and methods,
- (e) IVS 200 business and business interests,
- (f) IVS 400 real property interests¹

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

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

v. Our estimates of share values reflect the cash flows estimated to be derived from property development, shopping centers, offices, hotels and resorts, construction, property management, and other revenues of the Groups.

¹ Relevant provisions include basis of value and guidelines on valuation approaches



vi. We have used third party industry reports and Management information in coming up with our assumptions and sensitivities. These include gross and developable land bank area, transfer certificates of title, latest lot selling prices per square meter, third party appraisal reports, revenues, lease rates, occupancy rates, escalation rates, inventory take-up, development costs, operating expenses, capital expenditures, costs to sell and complete, and efficiency ratio, among others. If these assumptions and other key estimates/information prove to be incorrect, the results of our valuation could be materially and adversely affected.

vii. Our Opinion is based on business, economic, market and other conditions as they exist as of the date hereof or as of the date of the information provided to us. We have not considered events subsequent to the date of our Opinion. Based on discussions with Management, we are not aware of any events subsequent to the Valuation Date and up to the date hereof that may materially impact the forecasted financial performance and other key inputs used in the valuation, or any circumstances that may materially impact the conclusions drawn in the valuation report. As to the impact of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) signed into law subsequent to the Valuation date, we have simulated its impact on the resulting swap ratios.

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

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

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

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

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



Based upon and subject to the foregoing, it is our opinion that as of the Valuation Date, the ranges of fair values per share for ALI and CHI using a combination of Discounted Cash Flow and Net Asset Value approaches yield a swap ratio ranging from **0.1866 to 0.1911** shares of ALI per share of CHI. We cross-checked this using the range of swap ratios derived from the market approach. The range of swap ratios where the two approaches intersect is at 0.1866 to 0.1904 shares of ALI per share of CHI.

Based on the above, we are of the opinion that the swap ratio set by the Management of 0.1900 shares of ALI per share of CHI is fair from a financial point of view.

While CREATE was approved subsequent to the Valuation Date, we note that the swap ratio will still be within range even if we simulate its impact on the valuation of the Groups.

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

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

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

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

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



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

- Bank of the Philippine Islands (BPI) Group²
- Globe Telecom Inc (Globe) Group²
- Ortigas Land Corporation³

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

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

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

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

Very truly yours,


Mary Jade T. Roxas – Divinagracia, CFA[®], CVA
Managing Partner

² Affiliate of ALI and CHI

³ Associate of ALI