SEC Number: CS200613870
File Number: ________

AREIT, INC.

(Company's Full Name)

28F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 7908-3804

(Telephone Number)

June 30, 2022

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

-

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2022**

2. Commission Identification Number **CS200613870**

3. BIR Tax Identification No. **006-346-689-00000**

4. Exact name of issuer as specified in its charter: **AREIT, INC.**

5. Province, Country, or other jurisdiction of incorporation or organization:

   Makati City, Philippines

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of issuer's principal office and postal code:

   28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226

8. Issuer's telephone number, including area code: **(632) 7908-3804**

9. Former name, former address, former fiscal year: **Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of June 30, 2022

Title of each class	Number of shares issued and outstanding
Common shares	**1,508,910,810**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [x] No [ ]

    Stock Exchange: **Philippine Stock Exchange**
    Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past 90 days:
    Yes [x] No [ ]

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

AREIT, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30, 2022 Unaudited	December 31, 2021 Audited
ASSETS		
Current Assets		
Cash (Note 4)	**59,831,966**	₱92,010,744
Receivables (Note 5)	**1,504,970,538**	1,320,940,578
Other current assets (Note 6)	**253,105,642**	110,291,205
Total Current Assets	**1,817,908,146**	1,523,242,527
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	**3,092,380,838**	3,063,077,918
Investment properties	**50,117,045,353**	50,081,060,761
Property and equipment	**283,973**	309,716
Other noncurrent assets (Note 6)	**1,774,154,429**	1,835,836,322
Total Noncurrent Assets	**54,983,864,593**	54,980,284,717
	56,801,772,739	56,503,527,244

	June 30, 2022 Unaudited	December 31, 2021 Audited
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 7)	**₱897,664,261**	₱530,622,799
Short-term loans Payable (Note 8)	**590,000,000**	890,000,000
Current portion of deposits, other liabilities (Note 9)	**741,537,975**	735,086,847
Current portion of lease liability	**50,290,868**	42,967,375
Construction bonds	**64,550,525**	58,579,640
Total Current Liabilities	**2,344,043,629**	2,257,256,661
Noncurrent Liabilities		
Long-term debt	**2,968,060,402**	2,957,472,367
Deposits, other liabilities, net of current portion (Note 9)	**1,266,105,553**	1,290,194,773
Lease liability- net of current portion	**1,143,987,740**	1,111,013,455
Total Noncurrent Liabilities	**5,378,153,695**	5,358,680,595
Total Liabilities	**7,722,197,324**	7,615,937,256
Equity (Note 10)		
Paid-up capital	**15,762,407,800**	15,762,407,800
Treasury shares	**(673,299,700)**	(673,299,700)
Additional paid-in capital	**11,333,074,693**	11,333,074,693
Retained earnings	**22,657,392,622**	22,465,407,195
Total Equity	**49,079,575,415**	48,887,589,988
	56,801,772,739	₱56,503,527,244

AREIT, INC.
INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	2022 Unaudited		2021 Unaudited	
	April 1 to June 30	**January 1 to June 30**	April 1 to June 30	January 1 to June 30
REVENUE				
Rental income	**₱868,676,479**	**₱1,742,638,094**	536,276,954	₱1,067,067,448
Dues- net	**255,750,729**	**511,494,200**	127,917,478	257,564,772
Interest income from finance lease receivables	**55,428,181**	**110,247,262**	45,366,761	88,978,313
	1,179,855,389	**2,364,379,556**	709,561,193	1,413,610,533
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	**2,660,580**	**16,535,999**	140,346,361	307,873,195
COSTS AND EXPENSES				
Direct operating expenses	**301,647,594**	**626,697,910**	176,924,938	343,830,390
General and administrative expenses	**21,691,563**	**38,285,876**	11,640,380	23,043,932
	323,339,157	**664,983,786**	188,565,318	366,874,322
OTHER INCOME (CHARGES) - Net				
Gain under finance lease	**–**	**–**	–	28,309,398
Interest income	**7,161,432**	**12,652,282**	1,341,314	3,926,391
Interest expense and other charges	**(52,331,045)**	**(106,751,028)**	(43,536,355)	(80,879,798)
Other income	**1,203,344**	**3,651,456**	–	8,969,684
	(43,966,269)	**(90,447,290)**	(42,195,041)	(39,674,325)
INCOME BEFORE INCOME TAX	**815,210,543**	**1,625,484,479**	619,147,195	1,314,935,081
PROVISION FOR INCOME TAX	**20,391**	**33,782**	8,499	25,453
NET INCOME	**815,190,152**	**1,625,450,697**	619,138,696	1,314,909,628
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱815,190,152**	**₱1,625,450,697**	₱619,138,696	₱1,314,909,628
Basic/Diluted Earnings Per Share	**₱0.54**	**₱1.08**	₱0.60	₱1.28

AREIT, INC.
INTERIM STATEMENTS OF CHANGES IN EQUITY

	June 30, 2022 Unaudited	June 30, 2021 Unaudited
PAID-UP CAPITAL		
Common Shares - ₱10 par value		
Balance at beginning and end of period	**₱15,762,407,800**	₱10,929,864,050
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of period	**11,333,074,693**	785,681,404
TREASURY SHARES		
Balance at beginning and end of period	**(673,299,700)**	(673,299,700)
RETAINED EARNINGS		
Balance at beginning of year	**22,465,407,195**	21,765,499,530
Total comprehensive income/Net income	**1,625,450,697**	1,314,909,628
Cash dividends	**(1,433,465,270)**	(830,781,712)
Balance at end of period	**22,657,392,622**	22,249,627,446
	49,079,575,415	33,291,873,200

AREIT, INC.
INTERIM STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,625,484,478**	₱1,314,935,081
Adjustments for:		
Net fair value change in investment properties	**(16,535,999)**	(307,873,195)
Depreciation and amortization	**38,863**	7,805
Interest expense	**106,751,028**	80,879,798
Gain under finance lease	–	(28,309,398)
Interest income from finance lease receivables	**(110,247,262)**	(88,978,313)
Interest income	**(12,652,282)**	(3,926,391)
Operating income before working capital changes	**1,592,838,826**	966,735,387
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**170,348,081**	(84,272,638)
Other assets	**(256,189,471)**	(804,642,897)
Increase (decrease) in:		
Accounts and other payables	**367,041,463**	(64,517,662)
Deposits and other liabilities	**(31,656,033)**	144,993,614
Construction bonds	**5,970,885**	–
Cash generated from (used in) operations	**1,848,353,751**	158,295,804
Interest received	**122,899,544**	92,904,704
Interest paid	**(52,435,308)**	(38,060,272)
Income tax paid	**(33,783)**	(25,453)
Net cash flows provided by (used in) operating activities	**1,918,784,204**	213,114,783
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	**(181,500,000)**	1,918,938,726
Payments for additions to investment properties	**(35,997,712)**	(5,694,354,566)
Payments for additions to property and equipment	–	(227,205)
Net cash flows provided by (used in) investing activities	**(217,497,712)**	(3,775,643,045)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	**(1,433,465,270)**	(830,781,712)
Availment (repayment) of loans	**(300,000,000)**	4,422,500,000
Payments of principal portion of lease liability	–	(17,081,739)
Net cash flows provided by (used) financing activities	**(1,733,465,270)**	3,574,636,549
NET INCREASE (DECREASE) IN CASH	**(32,178,778)**	12,108,287
CASH AT BEGINNING OF PERIOD	**92,010,744**	58,977,547
CASH AT END OF PERIOD	**₱59,831,966**	₱71,085,834

AREIT, INC.
NOTES TO INTERIM FINANCIAL STATEMENTS

1. Corporate Information

AREIT, Inc., (formerly, One Dela Rosa Property Development, 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. On September 26, 2018, the Company amended its Articles of Incorporation to engage in the business of a real estate investment trust (REIT), as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), and its implementing rules and regulations (the REIT Act). 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. On April 12, 2019, the Company changed its name to AyalaLand REIT, Inc., and further amended its name to AREIT, Inc. on June 28, 2019.

As of December 31, 2021, the Company is publicly-listed, 47.34%-owned by Ayala Land Inc. (ALI), 6.38%-owned by AyalaLand Offices, Inc. (ALOI), 2.48%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, 4.12%-owned by Glensworth Development, Inc. (GDI), a wholly owned subsidiary of ALOI, and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.87%-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 corpor ate 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 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 before 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.

2. Basis of Financial Statement Preparation

The accompanying unaudited interim financial statements have been prepared following Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* Accordingly, the unaudited interim financial statements do not include all of the information and disclosures required in the December 31, 2021, annual audited financial statements.

The accompanying unaudited interim 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.

The unaudited interim financial statements are presented in Philippine peso (Php), the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

On August 01, 2022, the Audit Committee approved and authorized the release of the accompanying unaudited interim financial statements of AREIT, Inc.

3. Summary of Significant Accounting Policies

Change to Fair Value Model

In 2021, the Company voluntarily changed its accounting policy on its investment properties from cost model to fair value model.

Under fair value accounting, investment properties are stated at fair value, reflecting market conditions at the reporting date. Independent real estate valuation experts determine the fair value of investment properties using the "income approach," based on each property's discounted future cash flows. The gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use, and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the asset's carrying amount is recognized as profit or loss in the period of derecognition.

As a result of the change, the comparative December 31, 2021 audited statement of financial position and the comparative interim statement of comprehensive income and statement of changes in equity for the six-month period ended June 30, 2022 were restated to reflect the effect of the voluntary change.

The change will provide the users of the financial statements with more relevant information as it reflects the company's current valuation as a REIT entity.

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 significantly impact the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments relieve 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 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 does not apply to the Company as there are no rent concessions granted to the Company as a lessee.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify 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 several reliefs which apply to all hedging relationships that are directly affected by the 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 stating "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 based on 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, nor is there expected to be any future impact on 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, help preparers develop consistent accounting policies where there is no applicable standard in place, and assist all parties in understanding and interpreting the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies important concepts. These amendments had no impact on the financial statements of the Company.

- PIC Q&A 2018-12, PFRS 15 – Accounting for Common Usage Service (CUSA) Charges

  The Company adopted PIC Q&A 2018-12, PFRS 15 – Accounting for CUSA retroactive January 1, 2021, which concludes that real estate developers are generally acting as principals for CUSA. The impact of the adoption is applied retrospectively.

  As a result of the adoption, the Company presented the revenue from CUSA and air-conditioning charges at gross amounts and the related costs as part of costs and expenses which were previously presented together on a net basis as part of revenues.

  The Company assessed itself (a) as principal on Buildings for CUSA, (b) as agent on

Condominium Units for CUSA, and (c) as agent for electricity and water usage.

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 percent"' 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 Noncurrent*
- 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*

4. Cash

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	**₱72,500**	₱22,500
Cash in banks	**59,759,466**	91,968,244
	59,831,966	₱91,990,744

Cash in banks earns interest from the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱0.17 million and ₱0.13 million for the six months ended June 30, 2022 and 2021, respectively.

5. Receivables

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Finance lease receivable	**₱3,314,755,683**	₱3,285,820,422
Due from related parties	**983,564,146**	914,114,901
Trade receivables – billed	**343,104,564**	220,680,256
Other receivables	**694,759**	858,963
	4,642,119,152	4,421,474,542
Less allowance for credit losses	**44,767,776**	37,456,046
	4,597,351,376	4,384,018,496
Less noncurrent portion of finance lease receivable	**3,092,380,838**	3,063,077,918
	₱1,504,970,538	₱1,320,940,578

Other receivables pertain to noninterest-bearing advances to contractors which are subject to liquidation upon completion.

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common areas and utilities. These are noninterest-bearing and are generally collectible on a 30-day term.

As of June 30, 2022, the aging of analysis of the Company's receivables presented per class is as follow:

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	**₱3,314,755,683**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,314,755,683**
Due from related parties	**768,227,464**	**51,343,152**	**3,100,866**	**49,157,396**	**111,735,268**	**–**	**983,564,146**
Trade receivables – billed	**24,648,287**	**42,156,905**	**28,989,033**	**17,367,360**	**185,175,203**	**44,767,776**	**343,104,564**
Other receivables	**694,759**	**–**	**–**	**–**	**–**	**–**	**694,759**
Total	**₱4,112,024,862**	**₱99,826,032**	**₱36,439,931**	**₱69,130,864**	**₱324,697,461**	**₱44,767,776**	**₱4,642,119,152**

The movements in allowance for credit losses follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	**₱37,456,046**	₱14,923,759
Additions	**7,311,730**	22,532,287
Balance at end of year	**₱44,767,776**	₱37,456,046

6. Other Assets

Other Current Assets
This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Input VAT	**₱92,593,565**	₱97,794,584
Prepaid expenses	**145,747,262**	−
Recoverable deposits	**14,764,815**	12,496,621
	₱253,105,642	₱110,291,205

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for a refund amounting to ₱6.39 million, which is awaiting approval from the BIR.

Prepaid expenses pertain to payments of business taxes and real property taxes which is amortized over a year. This includes also payment of local transfer taxes for the Property-for-share swap assets which will be capitalized upon effectivity of the Property-for-share swap transaction.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets
This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Input VAT	**₱813,800,843**	₱885,255,771
Deferred input VAT	**858,491,692**	861,813,729
Creditable withholding taxes	**154,361,894**	118,587,338
Advances to contractors	**−**	3,179,484
	1,826,654,429	1,868,836,322
Less allowance for possible lossess	**52,500,000**	33,000,000
	₱1,774,154,429	₱1,835,836,322

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.0 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 is recoverable in future periods.

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. The Company recognized allowance for probable loss on CWT amounting to ₱19.50 million in 2022 and P33.0 million in 2021.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

7. Investment Properties

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning of the period	**₱50,081,060,761**	₱29,189,674,985
Acquisitions and Improvements	**35,984,592**	21,577,487,178
Property under finance lease	**–**	(886,240,458)
Gain on fair value adjustment	**–**	200,139,056
End of the period	**₱50,117,045,353**	₱50,081,060,761

On January 5, 2021, the Company entered into a Deed of Absolute Sale with Technopark Land, Inc (TLI), a subsidiary of Ayala Corporation (AC), to acquire 98,179 square meters (sqm) of land for ₱987.98 million, exclusive of VAT. The acquired parcels of land are currently being leased out to Integrated Micro-Electronics, Inc. (IMI) for eight years, starting from January 1, 2020, to December 31, 2027. The subject properties are the four (4) parcels of land located at Barrio Biñan, Laguna.

On January 15, 2021, the Company entered into a Deed of Sale with ALI to acquire The 30th for ₱4.56 billion (VAT exclusive). ALI has an existing land lease contract with MBS Development Corporation (MBS) which will expire on September 1, 2056, and such contract of lease was assigned to the Company as part of the sale of the building. Simultaneous to the acquisition, the Company and North Eastern Commercial Corp. (NECC), a wholly-owned subsidiary of ALI under the Ayala Malls brand, entered into a lease agreement for the retail podium of The 30th, that is payable on a monthly guaranteed lease for a period of 36 years. NECC operates the retail podium. NECC will pay a monthly guaranteed building lease to the Company for 36 years, in line with the land lease term of the property. The Company derecognized the portion of the property under a finance lease.

On October 7, 2021, SEC approved the property-for-share-swap transaction of the Company. This were acquired from ALI, GDI and WCVC and involves six commercial properties namely:

- Vertis North Commercial Development – A mixed-use development located at the heart of Quezon City. It is composed of three (3) office towers with a total GLA of 125,507.39 sq. m. and a retail podium with a GLA of 39,305.76 sq.m.

- Evotech One and Two – Evotech One and Two consists of two (2) office buildings situated in Lakeside Evozone, Nuvali, Laguna. The property caters to the special demands of IT and BPO companies looking to establish themselves in the south of Metro Manila.

- Bacolod Capitol Corporate Center – A five-storey PEZA-accredited corporate center in Bacolod City comprised of 11,313.14 sq. m. of leasable office space.

- Ayala Northpoint Technohub – A two-storey PEZA-accredited technohub in Bacolod City with a GLA of 4,653.50 sq. m. of office space.

- BPI-Philam Life Makati – BPI Philam Life Makati Building is a 32-storey office tower at the intersection of Ayala Avenue and Gil Puyat Avenue. The property-for-share swap transaction covers three (3) condominium office units of the property.

- BPI-Philam Life Alabang – BPI Philam Life Alabang is a corporate center in Madrigal Business Park, Alabang, Muntinlupa City. The Building is a 14-storey corporate center office that caters to all employees, primarily corporate professionals. The property-for-share swap transaction covers six (6) condominium office units of the property.

As of June 30, 2022, the investment properties are composed of seven (7) stand-alone buildings, two (3) mixed-used properties, nine (9) condominium office units, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange located in Makati City, Teleperformance Cebu located at Cebu I.T. Park, Cebu City, Evotech One and Two consisting of two (2) office buildings situated in Laguna, Bacolod Capitol Corporate Center and Ayala Northpoint Technohub located in Bacolod City. The mixed-used properties are Ayala North Exchange, The 30th Commercial Development, and Vertis North Commercial Development. Ayala North Exchange is located along Ayala Avenue, Makati composed of two office towers, a retail podium and serviced apartments; The 30th Commercial Development features a 19-storey office building complemented by a four-storey retail podium; while Vertis North Commercial Development is a mixed-use development composed of three (3) office towers and a retail podium located in Quezon City. The condominium office units are BPI-Philam Life Makati composed of three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, and BPI-Philam Life Alabang composed of six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City. The four land parcels in Laguna Technopark are being leased to IMI.

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and independent and professionally qualified appraiser.

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 fair value is sensitive to the unobservable inputs of lease income growth rate and discount rate. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value measurement while a change in the assumption used for the lease income growth rate is accompanied by a directionally similar change in the Company's fair value of investment properties.

Teleperformance Cebu building was appraised on December 31, 2021 while the fair value of the other investment properties as of December 31, 2021 were updated from the June 30, 2021 appraisal report to reflect changes in the assumptions as of December 31, 2021.

8. Accounts and Other Payables

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Due to related parties	**₱674,847,083**	₱299,429,900
Accounts payable	**52,537,807**	99,045,078
Accrued expenses		
Light and water	**41,848,381**	22,492,161
Rent	**24,956,211**	13,413,162
Repairs and maintenance	**14,040,220**	7,546,168
Others	**43,658,602**	23,971,364
Taxes payable	**38,833,028**	61,777,639
Retention payable	**4,403,290**	2,041,577
Interest payable	**2,539,639**	905,750
	₱897,664,261	₱530,622,799

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.

Accrued expenses include accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance, and representation. These accruals are noninterest-bearing.

Taxes payable consist of amounts payable to the taxing authority on expanded withholding taxes.

Retention payable pertains to the portion of the contractor's progress billings withheld by the Company 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.

9. Short-term Debt and Long-term Debt

The Company obtained short-term loans from various local banks during the period.

The outstanding short-term loans payable amounting to ₱590.00 million as of June 30, 2022 and ₱ 890.00 million as of December 31, 2021 pertains to unsecured and interest bearing 30-day loans with average interest rate of 1.95% as of June 30, 2022 and 2.08% as of December 31, 2021.

Philippine Peso 2-year bonds due 2023

On December 28, 2021, the Company issued a total of ₱3.0 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under the Company's P15.0 billion Debt Securities Program registered with the SEC and the first REIT in the Philippines to list a bond issued to public investors. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain the following restrictions: material changes in nature of business; maintenance of aggregate leverage limit; payment of dividends and additional loans maturing beyond a year which will result to non-compliance of the required aggregate leverage limit; merger or consolidation where the Company is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Company as of June 30, 2022 and December 31, 2021.

Debt issue costs amounted to ₱42.70 million in 2021. Amortization amounted to ₱10.59 million in 2022 and ₱0.18 million in 2021 and included under "Other charges".

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 ₱64.55 million as of June 30, 2022 and ₱58.58 million as of December 31, 2021.

11. Deposits and Other Liabilities

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Advance rentals	**₱900,489,132**	₱999,233,922
Security deposits	**959,561,187**	942,749,081
Deferred credits	**147,593,209**	83,298,617
	2,007,643,528	2,025,281,620

Less current portion	**741,537,975**	735,086,847
	₱1,266,105,553	₱1,290,194,773

The current portion of these accounts follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Security deposits	**₱444,673,851**	₱436,882,890
Advance rentals	**215,724,840**	286,265,507
Deferred credits	**81,139,284**	11,938,450
	₱741,537,975	₱735,086,847

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 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.

12. Equity

Capital stock
The details of the Company's capital stock as of June 30, 2022, and December 31, 2020, follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Authorized	**2,950,000,000**	2,950,000,000
Par value per share	**₱10.00**	₱10.00
Issued and outstanding shares	**1,508,910,810**	1,508,910,810

The changes in the number of shares are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Authorized number of shares		
Balance at beginning of year at ₱10 par value	**1,174,000,000**	1,174,000,000
Increase in authorized capital stock at ₱10 par value	**1,776,000,000**	1,776,000,000
Balance at end of period	**2,950,000,000**	2,950,000,000
Issued shares		
Balance at beginning of year	**1,092,986,405**	1,092,986,405
Issuance of new shares	**483,254,375**	483,254,375
Balance at end of period	**1,576,240,780**	1,576,240,780
Treasury shares		
Balance at beginning and end of period	**(67,329,970)**	(67,329,970)
Outstanding	**1,508,910,810**	1,508,910,810

On October 7, 2021, the SEC approved the increase in authorized capital stock of 1,776,000,000 common shares with a par value of ₱10 per share and approved subscriptions of ALI, WCVC and GDI of shares in exchange for the identified properties for 483,254,375 common shares with an exchange price of ₱32 per share.

Additional Paid-in Capital (APIC)

In 2021, the Company recorded APIC amounting to ₱10,583.27 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to ₱48.33 million in 2021.

Retained Earnings

On February 24, 2021, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2020 amounting to ₱0.39 per outstanding common share to stockholders on the record date as of March 15, 2021 amounting to ₱400.01 million. The cash dividend was paid on March 25, 2021.

On May 26, 2021, the Company's BOD approved the declaration of cash dividends for the first quarter of 2021, amounting to ₱0.42 per outstanding common share to stockholders on record as of June 11, 2021, amounting to ₱430.78 million. The cash dividend was paid on June 25, 2021.

On August 12, 2021, the Company's BOD approved the declaration of cash dividends for the second quarter of 2021, amounting to ₱0.44 per outstanding common share to stockholders on record as of August 26, 2021, amounting to ₱451.29 million. The cash dividend was paid on September 10, 2021, to stockholders.

On September 22, 2021, the Company's BOD approved the declaration of cash dividends for the third quarter of 2021, amounting to ₱0.44 per outstanding common share to stockholders on record as of October 06, 2021, amounting to ₱451.29 million. The cash dividend was paid on October 22, 2021, to stockholders.

On February 24, 2022, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2021, amounting to ₱0.47 per outstanding common share to stockholders on record as of March 11, 2022, amounting to ₱709.19 million. The cash dividend was paid on March 25, 2022, to stockholders.

On May 19, 2022, the Company's BOD approved the declaration of cash dividends for the first quarter of 2022, amounting to ₱0.48 per outstanding common share to stockholders on record as of June 02, 2022, amounting to ₱724.28 million. The cash dividend was paid on June 17, 2022, to stockholders.

Distributable Income

The computation of the distributable income of the Company as of June 30, 2022, is shown below:

	June 30, 2022 (Unaudited)
Net income	**₱1,625,450,696**
Add (Less): Unrealized gain on fair value change in investment properties	**(16,535,999)**
Distribution adjustments	**–**
Distributable Income	**₱1,608,914,697**

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 makes 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 June 30, 2022 and December 31, 2021, follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Paid-up capital	**₱15,762,407,800**	₱15,762,407,800
Additional paid- in capital	**11,333,074,693**	11,333,074,693
Treasury shares	**(673,299,700)**	(673,299,700)
Retained earnings	**22,657,392,622**	22,465,407,195
	₱49,079,575,415	₱48,887,589,988

13. 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 related if they are subject to common control or common significant influence, including affiliates.

Terms and Conditions of Transactions with Related Parties

In its regular conduct of business, the Company 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 occur 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 value and outstanding balances of transactions that have been entered into with related parties for the relevant financial year:

Related Party Category	**June 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Due from related parties		
Parent Company		
Ayala Land, Inc.	**₱200,222,770**	₱290,385,878
Affiliates*	**4,098,016,347**	3,909,549,445
Other related parties		
Globe Telecom, Inc.	**80,712**	–
	80,712	
	₱4,298,319,829	₱4,199,935,323

**Entities under common control*

Related Party Category	**June 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Due to related parties		
Parent Company		
Ayala Land, Inc.	**₱128,709,050**	₱47,566,230
Affiliates*	**542,043,969**	249,812,235
Other related parties		
Manila Water Company Inc	**3,631,073**	2,051,435
Manila Water Philippine Ventures, Inc.	**337,763**	–
Globe Telecom, Inc.	**90,500**	–
Innove Communications	**24,628**	–
Bank of the Philippine Islands	**10,100**	–
	4,094,064	2,051,435

	₱674,847,083	₱299,429,900

**Entities under common control*

14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, accounts, and other payables and security deposits that 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 to the BOD.

Exposure to credit, interest rate, and liquidity risks arise in the ordinary 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.

Before the 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.

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 Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained.

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.

15. Fair Value Hierarchy

Fair Value Information

Except for the Company's security deposits and long-term debt, 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.

	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying value	**Fair value**	Carrying value	Fair value
Security deposits	**₱959,561,187**	**₱959,561,187**	₱942,749,081	₱864,953,175
Long-term debt	**2,968,060,402**	**2,968,060,402**	2,957,472,367	2,844,051,163

As of June 30, 2022 and December 31, 2021, the Company has no financial instrument measured at fair value. In 2022 and 2021, 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 and long-term debt is categorized under Level 3 in the fair value hierarchy.

16. Notes to Interim Statements of Cash Flow

The Company's noncash operating and investing activities are as follows:

Operating

- Interest income from finance lease amounting to ₱110.25 million and ₱88.98 million for six months ended June 30, 2022 and 2021.
- Noncash movement in "Receivables" the ₱28.31 million gains on finance lease receivables from the lease agreement with NECC in 2021 (nil in 2022).

Investing

- Noncash movement in "Investment Properties" amounting to ₱389.97 million arising from lease agreement with NECC in 2021.

Financing

Interest expense on the accretion of interest related to lease liabilities amounting to ₱40.30 million and ₱28.28 million for six months ended June 30, 2022, and 2021.

17. 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 four parcels of land, nine condominium office units and thirteen-building lease operations are its only income-generating activity, and such is the measure used by the management in allocating resources.

18. Seasonality of Operations

There were no operations subject to seasonality or cyclicality except for the retail operations of the Company. The Company generates a relatively stable stream of revenues throughout the year, with higher sales experiences in the fourth quarter of every year from shopping centers due to holiday spending. This information is provided to allow for a better understanding of the results; however, management has concluded that this is not ‘highly seasonal’ under PAS 34.

19. Events After Financial Reporting Date

None

Item 2. Management's Discussion and Analysis on the Results of Operation and Financial Condition

Review of 1H 2022 operations vs 1H 2021

AREIT, Inc. net income after tax increased by 24% from ₱1,314.91 million in 2021 to ₱1,625.45 million in 2022. Net income after tax adjusted to exclude the change in fair value of investment properties and one time gain on finance lease increased by 64% at P1,608.95 million in 2022 from ₱978.75 million in 2021. The increase in net income after tax is due to the acquisition of new properties in October 2021 as well as rental escalations.

Revenues

Total revenues increased by 67% from ₱1,413.61 million in 2021 to ₱2,364.38 million in 2022. This was mainly driven by higher rental income and dues-net in line with the additional properties acquired in October 2021.

Rental Income increased by 63% from ₱1,067.07 million in 2021 to ₱1,742.64 million in 2022. The increase was primarily attributable to the additional properties namely, Vertis Offices and Mall, One and Two Evotech, BPI-Philam Makati, BPI-Philam Alabang, Bacolod Capitol and Ayala Northpoint, which were added to the Company's portfolio in October 2021.

Dues increased by 99% from ₱257.56 million in 2021 to ₱511.49 million in 2022. The increase was attributable to the operations of new properties acquired in October 2021.

Interest income from finance lease, increased by 24% from ₱88.98 million in 2021 and ₱110.25 million in 2022. This pertains to the long-term lease of North Eastern Commercial Corp with the Company, for Vertis Mall building lease which commenced in October 1, 2021.

Net Fair Value Change in Investment Property

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

The Company recognized a net fair value change in investment property of ₱16.54 million in 2022 and ₱307.87 million in 2021.

Cost and Expenses

Direct operating expenses increased by 82% from ₱343.83 million in 2021 to ₱626.70 million in 2022. The increase is in line with the additional properties acquired in October 2021.

General and administrative expenses increased by 66%, from ₱23.04 million in 2021 to ₱38.29 million in 2022.

Other Income (charges)

Gain under finance lease amounted to ₱28.31 million in 2021. In January 2021, our Company entered into a long-term building lease agreement with North Eastern Commercial Corp. for the lease of the retail podium of The 30th development. North Eastern Commercial Corp. is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. Our Company remains to be the legal owner of the portion of the building under a finance lease.

Interest Income increased by 222% from ₱3.93 million in 2021 to ₱12.65 million in 2022. The increase was mainly due to the increase in interest income from intercompany lending's in 2022.

Interest expense increased by 32% from ₱80.88 million in 2021 to ₱106.75 million in 2022. The increase was primarily attributable to the recognition of interest expense on short-term and long-term debt and accretion of security deposit.

Other income (charges), composed of income earned from interest and penalties arising from late payments and amortization of bond issue cost.

Provision for Income Tax
Provision for income tax, increased by 33% from ₱25,453 in 2021 to ₱33,782 million in 2022. This pertains to final tax on interest income from banks.

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

***Balance Sheet items*- June 30, 2022 versus December 31, 2021**

Cash decreased by 35% primarily due to repayment of short-term debt.

Receivables increased by 14% primarily due to contribution of new properties acquired in Oct 2021.

Other current assets increased by 129% mainly due to higher prepaid expenses pertaining to payments of business taxes and real property taxes, which are being amortized for the year.

Property and equipment decreased by 8% mainly due to depreciation of existing office equipment.

Short-term debt decreased by 34% due to repayment of short-term debt amounting to ₱300.00 million, which was paid thru excess cash from operations.

Accounts and other payables increased by 69%, in line with the increase in operations due to additional properties.

Current portion of lease liability increased by 17% due to additional lease liability for the lease agreements entered into by the Company related to land leases of One and Two Evotech and Bacolod Capitol. The rent is payable at a fixed monthly rate, subject to annual escalation rate.

Construction bonds increased by 10% due to additional bonds from tenants collected to be used as guarantee against damages to properties resulting from construction, renovation or improvements being undertaken.

Financial Condition

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

Total current assets, including cash, current portion of receivable, input VAT, prepaid expenses, and recoverable deposits, stood at ₱1,817.91 million, resulting in a current ratio of 0.78:1.

Total debt registered at P3.56 billion which translated to a debt-to-equity ratio of 0.07:1 and a net debt-to-equity ratio of 0.07:1.

Return on equity is at 7% as of June 30, 2022.

Key Financial Ratios	**2022**	**2021**
Current Ratio (1)	0.78	0.67
Debt to Equity (2)	0.07	0.08
Profitability Ratios		
Return on Asset (3)	6%	6%
Return on Equity (4)	7%	5%
Asset to Equity Ratio (5)	1.16	1.16

(1) Current assets/current liabilities
(2) Total debt/Average Stockholder's equity
(3) Total Net Income/Total Average 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.

- 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.

Property Performance as of June 30, 2022

Property	Location	Valuation Date	Valuation cost[2] *(in Pesos, millions)*	Total gross leasable area (GLA) *(in sq.m)*	Occupied GLA *(in sq.m)*	Occupancy rate	Remaining Land lease term	Rental Income *(in Pesos, millions)*	Gross Revenues *(in Pesos, millions)*
Solaris	Makati	June 2021	12,170	46,768	45,740	98%	27	289	397
Ayala North Exchange[1]	Makati	June 2021	13,656	95,300	92,622	97%	36	443	528
MECC	Makati	June 2021	1,940	10,688	10,593	99%	33	56	69
TP Cebu	Cebu	Dec 2021	2,599	18,093	18,093	100%	29	83	104
The 30th[1]	Pasig	June 2021	4,643	74,704	69,080	92%	34	199	252
Laguna Technopark Land	Laguna	June 2021	1,087	98,179	98,179	100%	n/a	39	39
Vertis[1]	Quezon City	June 2021	11,978	164,628	157,218	95%	36	595	758
BPI- Philam Makati	Makati	June 2021	236	1,072	230	21%	n/a	5	7
BPI- Philam Alabang	Muntinlupa	June 2021	63	551	551	100%	n/a	3	4
Bacolod Capitol	Negros Occidental	June 2021	893	11,313	11,313	100%	40	34	44
Ayala Northpoint	Negros Occidental	June 2021	297	4,654	4,654	100%	36	12	15
Evotech	Laguna	June 2021	1,999	23,727	23,036	97%	36	96	147

(1) Does not include portion of ANE Seda, The 30th Mall and Vertis Mall which are accounted for under finance lease

(2) Valuation based on latest appraisal reports using Income approach except for Laguna Technopark land which was based on Market approach

PART II- OTHER INFORMATION

Item 3. Developments as of June 30, 2022

A. New project or investments in another line of business or corporation	None	
B. Composition of Board of Directors (as of April 22, 2022)	Jose Emmanuel H. Jalandoni	Chairman
	Carol T. Mills	President & CEO
	Augusto D. Bengzon	Non-Executive Director
	Bernard Vincent O. Dy	Non-Executive Director
	Mariana Zobel de Ayala	Non-Executive Director
	Omar T. Cruz	Lead Independent Director
	Enrico S. Cruz	Independent Director
	Jessie D. Cabaluna	Independent Director
C. Performance of the corporation or result/progress of operations	Please see unaudited financial statements and management's discussion on the results of operations.	
D. Declaration of dividends	₱0.47 cash dividend per outstanding common share Declaration date: February 24, 2022 Record date: March 11, 2022 Payment date: March 25, 2022 ₱0.48 cash dividend per outstanding common share Declaration date: May 19, 2022 Record date: June 2, 2022 Payment date: June 17, 2022	
E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements	None	
F. Offering of rights, granting of Stock Options and corresponding plans therefore	None	
G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate	None	
H. Other information, material events, or happenings that may have affected or may affect the market price of the security	None	

I.	**Transferring of assets, except in the normal course of business**	None

Item 4. Other Notes to 6M 2022 Operations and Financials

J.	**Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents**	Please see Item 2: Management's Discussion on Results of Operations and Analysis.
K.	**Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period**	Please see page 26: Causes for any material changes (+/- 5% or more) in the financial statements
L.	**New financing through loans / Issuances, repurchases, and repayments of debt and equity securities**	None
M.	**Material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period**	None
N.	**The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations**	None
O.	**Changes in contingent liabilities or contingent assets since the last annual balance sheet date**	None
P.	**Other material events or transactions during the interim period**	**On April 21, 2022,** AREIT, Inc. secured the approval of its stockholders on its second property-for-share swap with its sponsor, Ayala Land, Inc. (ALI) during its Annual Stockholders' Meeting. The transaction involves six Cebu-based office buildings with an aggregate value of P11,257,889,535.91, in exchange for 252,136,383 AREIT primary common shares at a price of P44.65 per share, as validated by a third-party fairness opinion. This new asset infusion will expand AREIT's gross leasing area to 673 thousand square meters or P64 billion in Assets Under Management (AUM) in 2022 – a 113% increase since AREIT went public. This growth exceeds its target to double in size within two years from its IPO. **On May 19, 2022,** AREIT, Inc. executed the Deed of Exchange with Ayala Land, Inc. (ALI) on the property-for-

share swap transaction involving the issuance of 252,136,383 primary common shares of AREIT (Shares) to ALI, at an issue price of Php44.65 per share in exchange for identified properties valued at Php11,257,889,535.91. Accordingly, ALI transfers, cedes, and assigns the properties in favor of AREIT, and the latter undertakes to issue the corresponding shares upon approval of the property-for-share swap of the SEC. The Shares will be issued out of the AREIT's unissued capital stock. Following the execution of the Deed of Exchange, the involved parties will submit the property-for-share swap, specifically the request for confirmation of valuation, and exemption from registration, to the SEC within the month. Once approved, the parties shall apply for the Certificate Authorizing Registration with the Bureau of Internal Revenue, and the listing of the additional shares with the Philippine Stock Exchange, within the year.

On June 24, 2022, in consideration of the property-for-share swap transaction involving the issuance of 252,136,383 primary common shares of AREIT, Inc. (AREIT) to be received by Ayala Land, Inc., AREIT submitted its request for confirmation of exemption from registration of securities and confirmation of valuation of property subject of the swap to the Securities and Exchange Commission (SEC) today, pursuant to Section 10.1.5 of the Implementing Rules and Regulations of the Securities Regulation Code.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation	None
R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period	None
S. Material commitments for capital expenditures, general-purpose and expected sources of funds	None
T. Known trends, events, or uncertainties that have had or that are reasonably expected to have an	AREIT's performance will be dependent on the state of the Philippine Office Sector.

impact on sales/revenues/ income from continuing operations	
U. Significant elements of income or loss that did not arise from continuing operations	None
V. Causes for any material change/s from period to period, in one, or more line items of the financial statements	Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
W. Seasonal aspects that had a material effect on the financial condition or results of operations	None
X. Disclosures not made under SEC Form 17-C	None.

Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-June 2022 (Unaudited)	End-December 2021 (Audited)
Current ratio [1]	0.78:1	0.67:1
Debt-to-equity ratio [2]	0.07:1	0.08:1
Net debt-to-equity ratio [3]	0.07:1	0.08:1
Profitability Ratios:		
Return on assets [4]	6%	6%
Return on equity [5]	7%	5%
Asset to Equity ratio [6]	1.16:1	1.16:1

Notes:

(1) The current ratio is derived by dividing current assets by current liabilities at the end of a given period. The current ratio measures our ability to pay short-term obligations.
(2) The debt to equity ratio is derived by dividing our total loans and borrowings by total equity. The debt to equity ratio measures the degree of our financial leverage.
(3) The net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.
(4) Return on assets is derived by annualized net income by total assets
(5) Return on equity is derived by dividing annualized net income by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.
(6) The asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AREIT, INC.**

By:

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

Date: August 12, 2022