

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)

Mach 31, 2023

(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 **March 31, 2023**
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 March 31, 2023

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	1,761,047,193

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

Yes 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 No

(b) has been subject to such filing requirements for the past 90 days:

Yes No

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

AREIT, INC.

STATEMENTS OF FINANCIAL POSITION

	March 31, 2023 Unaudited	December 31, 2022 Audited
ASSETS		
Current Assets		
Cash (Note 4)	₱45,757,171	₱62,753,382
Receivables (Note 5)	2,185,154,877	1,919,183,751
Other current assets (Note 6)	438,037,128	155,825,886
Total Current Assets	2,668,949,176	2,137,763,019
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	3,065,634,703	2,986,455,069
Investment properties	60,882,638,067	60,871,459,005
Property and equipment	562,669	598,631
Other noncurrent assets (Note 6)	1,662,932,069	1,689,713,043
Total Noncurrent Assets	65,611,767,508	65,548,225,748
	₱68,280,716,684	₱67,685,988,767
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 7)	₱1,428,457,409	₱1,065,080,572
Short-term debt (Note 8)	300,000,000	300,000,000
Current portion of long-term debt	2,982,958,699	2,977,693,930
Current portion of deposits, other liabilities (Note 9)	501,439,488	527,675,373
Current portion of lease liability	48,809,223	50,290,868
Construction bonds	101,277,633	98,584,276
Total Current Liabilities	5,362,942,452	5,019,325,019
Noncurrent Liabilities		
Deposits, other liabilities, net of current portion (Note 9)	1,598,673,734	1,457,484,429
Lease liability- net of current portion	1,151,621,899	1,136,289,490
Total Noncurrent Liabilities	2,750,295,633	2,593,773,919
Total Liabilities	8,113,238,085	7,613,098,938
Equity (Note 10)		
Paid-up capital	18,283,771,630	18,283,771,630
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	20,021,645,532	20,021,645,532
Retained earnings	22,535,361,137	22,440,772,367
Total Equity	60,167,478,599	60,072,889,829
	₱68,280,716,684	₱67,685,988,767

AREIT, INC.**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

	2023 Unaudited	2022 Unaudited
	Jan 1 to Mar 31	Jan 1 to Mar 31
REVENUE		
Rental income	₱1,136,139,003	₱873,961,615
Dues- net	285,361,954	255,743,471
Interest income from finance lease receivables	54,591,123	54,819,080
	1,476,092,080	1,184,524,166
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	(1,406,450)	13,875,419
COSTS AND EXPENSES		
Direct operating expenses	417,259,847	325,050,317
General and administrative expenses	16,520,335	16,594,313
	433,780,182	341,644,630
OTHER INCOME (CHARGES) - Net		
Interest income	20,233,406	5,490,850
Interest expense and other charges	(44,855,219)	(54,419,983)
Other income (charges)	(5,690,804)	2,448,112
	(30,312,617)	(46,481,021)
INCOME BEFORE INCOME TAX	1,010,592,832	810,273,934
PROVISION FOR INCOME TAX	259,521	13,391
NET INCOME	1,010,333,311	810,260,543
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	₱1,010,333,311	₱810,260,543
Basic/Diluted Earnings Per Share	₱0.57	₱0.54

AREIT, INC.**INTERIM STATEMENTS OF CHANGES IN EQUITY**

	March 31, 2023	March 31, 2022
	Unaudited	Unaudited
PAID-UP CAPITAL		
Common Shares - P10 par value		
Balance at beginning and end of period	P18,283,771,630	P15,762,407,800
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of period	20,021,645,532	11,333,074,693
TREASURY SHARES		
Balance at beginning and end of period	(673,299,700)	(673,299,700)
RETAINED EARNINGS		
Balance at beginning of year	22,440,772,367	22,465,407,195
Total comprehensive income/Net income	1,010,333,311	810,260,543
Cash dividends	(915,744,541)	(709,188,080)
Balance at end of period	22,535,361,137	22,566,479,658
	P60,167,478,599	P48,988,662,451

AREIT, INC.**INTERIM STATEMENTS OF CASH FLOWS**

	2023 Unaudited Jan 1 to Mar 31	2022 Unaudited Jan 1 to Mar 31
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,010,592,832	₱810,273,934
Adjustments for:		
Net fair value change in investment properties	1,406,450	(13,875,419)
Depreciation and amortization	35,963	19,213
Interest expense	43,617,719	54,419,983
Interest income from finance lease receivables	(54,591,123)	(54,819,080)
Interest income	(20,233,406)	(5,490,850)
Operating income before working capital changes	980,828,435	790,527,781
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	358,976,384	74,805,697
Other assets	(250,165,500)	(378,944,275)
Increase (decrease) in:		
Accounts and other payables	363,376,837	254,606,538
Deposits and other liabilities	(103,767,600)	43,406,824
Construction bonds	2,693,356	2,332,200
Cash generated from (used in) operations	1,351,941,912	786,734,765
Interest received	20,233,406	60,309,930
Interest paid	(23,217,085)	(26,660,626)
Income tax paid	(259,522)	(13,392)
Net cash flows provided by (used in) operating activities	1,348,698,711	820,370,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	(430,815,000)	(5,000,000)
Payments for additions to investment properties	(12,585,512)	(4,163,328)
Net cash flows provided by (used in) investing activities	(443,400,512)	(9,163,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	(915,744,540)	(709,188,081)
Availment (repayment) of loans	-	(150,000,000)
Payments of principal portion of lease liability	(6,549,870)	-
Net cash flows provided by (used) financing activities	(922,294,410)	(859,188,081)
NET INCREASE (DECREASE) IN CASH	(16,996,211)	(47,980,732)
CASH AT BEGINNING OF PERIOD	62,753,382	92,010,744
CASH AT END OF PERIOD	₱45,757,171	₱44,030,012

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. 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, 2022, the Company is publicly-listed, 54.88%-owned by Ayala Land Inc. (ALI), 5.47%-owned by AyalaLand Offices, Inc. (ALOI), 2.13%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, 3.53%-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 47.91%-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 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., handle the fund manager functions and property management functions of the Company, respectively.

2. Basis of Financial Statement Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for investment properties which are measured at fair value, and are presented in Philippine Peso (P=), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

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.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

On April 26, 2023 the Audit Committee approved and authorized the release of the accompanying unaudited interim financial statements of AREIT, Inc.

3. Summary of Significant Accounting Policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- 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:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	₱72,500	₱72,500
Cash in banks	45,684,671	62,680,882
	₱45,757,171	₱62,753,382

Cash in banks earns interest from the respective bank deposit rates.

5. Receivables

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Finance lease receivable	₱3,288,009,548	₱3,221,146,005
Due from related parties	1,573,620,713	1,095,318,852
Trade receivables – billed	449,114,223	647,588,205
Other receivables	449,998	1,990,659
	5,311,194,482	4,966,043,721
Less allowance for credit losses	60,404,901	60,404,901
	5,250,789,581	4,905,638,820
Less noncurrent portion of finance lease receivable	3,065,634,704	2,986,455,069
	₱2,185,154,877	₱1,919,183,751

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 March 31, 2023, the aging analysis of the Company's receivables presented per class is as follows:

	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	₱3,288,009,548	₱–	₱–	₱–	₱–	₱–	₱3,288,009,548
Due from related parties	1,291,515,000	72,924,859	67,507,572	57,440,652	84,232,630	–	1,573,620,713
Trade receivables – billed	62,520,766	267,018,898	264,619	48,002,720	10,902,318	60,404,901	449,114,223
Total	₱4,642,045,314	₱339,943,757	₱67,772,191	105,443,372	₱95,134,948	₱60,404,901	₱5,310,744,484

The movements in allowance for credit losses follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	₱60,404,901	₱37,456,046
Additions	–	22,948,855
Balance at end of year	₱60,404,901	₱60,404,901

6. Other Assets

Other Current Assets

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	₱145,915,110	₱141,061,071
Prepaid expenses	277,357,203	–
Recoverable deposits	14,764,815	14,764,815
	₱438,037,128	₱155,825,886

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.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	₱1,080,547,099	₱1,044,601,418
Deferred input VAT	470,622,279	548,188,358
Creditable withholding taxes	190,397,088	168,644,360
Advances to contractors	3,408,103	278,907
	1,744,974,569	1,761,713,043
Less allowance for possible losses	82,042,500	72,000,000
	₱1,662,932,069	₱1,689,713,043

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 ₱10.04 million in 2023 and ₱9.75 million in 2022.

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

7. Investment Properties

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of the period	₱60,871,459,005	₱50,081,060,761
Acquisitions and Improvements	12,585,512	11,334,580,967
Gain on fair value adjustment	(1,406,450)	(544,182,723)
End of the period	₱60,882,638,067	₱60,871,459,005

On December 29, 2022, SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI and involves six commercial properties namely:

- eBloc 1- A twelve (12)-level, Philippine Economic Zone Authority ("PEZA")-accredited office development, located in Cebu IT Park with gross leasable area of 20,841.90 square meters (sq.m).
- eBloc 2- A seventeen (17)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 27,727.33 sq.m.
- eBloc 3- A twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 15,233.00 sq.m.

- eBloc 4- A twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 16,166.63 sq.m.
- ACC Tower- A twenty (20)-level, PEZA-accredited office development, located in Ayala Center Cebu, Cebu Business Park with gross leasable area of 27,517.00 sq.m.
- Tech Tower- A twelve (12)-level, PEZA-accredited office development, located along Sumilon corner Camiguin Roads, Cebu City with gross leasable area of 16,812.74 sq.m.

As of December 31, 2022, the investment properties are composed of thirteen (13) stand-alone buildings, three (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, eBloc Towers 1-4 which are located at Cebu I.T. Park, Cebu City, ACC Tower located in Ayala Center Cebu, Cebu Business Park, Tech Tower located along Sumilon cor. Camiguin Roads, Ceb 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 as of December 31, 2022.

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.

8. Accounts and Other Payables

This account consists of:

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Due to related parties	₱887,292,308	₱756,623,441
Accounts payable	321,942,205	89,098,143
Accrued expenses		
Light and water	43,313,074	41,848,381
Rent	25,829,678	24,956,211
Repairs and maintenance	14,531,628	14,040,220
Others	44,527,289	43,658,602
Taxes payable	86,702,536	90,768,937
Retention payable	3,174,233	3,188,012
Interest payable	1,144,458	898,625
	₱1,428,457,409	₱1,065,080,572

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

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Short-term loan	₱300,000,000	₱300,000,000
Bonds due on 2023	3,000,000,000	3,000,000,000
	3,300,000,000	3,300,000,000
Less unamortized transaction cost	17,041,301	22,306,070
	3,282,958,699	3,277,693,930
Less current portion	3,282,958,699	3,277,693,930
	₱-	₱-

In 2023 and 2022, the Company availed short-term loans payable with different local banks amounting to ₱300.00 million, respectively, which pertains to unsecured and interest bearing 30-day loans with interest rate of 5.75% and 5.5%, respectively.

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 ₱15.0 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 March 31, 2023 and December 31, 2022.

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 P101.28 million and P98.58 million as of March 31, 2023 and December 31, 2022, respectively.

11. Deposits and Other Liabilities

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Security deposits	1,029,630,129	P1,044,320,392
Advance rentals	P1,020,598,787	882,850,489
Deferred credits	49,884,306	57,988,921
	2,100,113,222	1,985,159,802
Less current portion	501,439,488	527,675,373
	P1,598,673,734	P1,457,484,429

The current portion of these accounts follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Security deposits	P270,008,658	P273,861,011
Advance rentals	218,721,020	235,450,965
Deferred credits	12,709,810	18,363,397
	P501,439,488	P527,675,373

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 March 31, 2023 and December 31, 2022, follow:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized	2,950,000,000	2,950,000,000
Par value per share	P10.00	P10.00
Issued and outstanding shares	1,761,047,193	1,761,047,193

The changes in the number of shares are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized number of shares		
Balance at beginning of year at ₱10 par value	2,950,000,000	2,950,000,000
Increase in authorized capital stock at ₱10 par value	-	-
Balance at end of year	2,950,000,000	2,950,000,000
Issued shares		
Balance at beginning of year	1,828,377,163	1,576,240,780
Issuance of new shares	-	252,136,383
Balance at end of year	1,828,377,163	1,828,377,163
Treasury shares		
Balance at beginning and end of year	(67,329,970)	(67,329,970)
Outstanding	1,761,047,193	1,761,047,193

On March 10, 2022 and April 21, 2022, the Company's BOD and its stockholders approved the issuance of 252,136,383 primary common shares of stock of the Company to ALI at an issue price of ₱44.65 per share in exchange for the identified properties. On December 29, 2022, SEC approved the property-for-share swap transaction.

Additional Paid-in Capital (APIC)

In 2022, the Company recorded APIC amounting to ₱8,688.57 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 ₱47.95 million in 2022.

Retained Earnings

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.

On August 12, 2022, the Company's BOD approved the declaration of cash dividends for the second quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of August 26, 2022, amounting to ₱739.37 million. The cash dividend was paid on September 09, 2022, to stockholders.

On October 11, 2022, the Company's BOD approved the declaration of cash dividends for the third quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of October 25, 2022, amounting to ₱739.37 million. The cash dividend was paid on November 10, 2022, to stockholders.

On February 24, 2023, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2022, amounting to ₱0.52 per outstanding common share to stockholders on record as of March 10, 2023, amounting to ₱915.74 million. The cash dividend was paid on March 24, 2023, to stockholders.

Distributable Income

The computation of the distributable income of the Company as of March 31, 2023, is shown below:

	March 31, 2023 (Unaudited)
Net income	₱1,010,333,311
Unrealized gains:	
Unrealized (gain)/loss on fair value change in investment properties	1,406,450
Distributable Income	₱1,011,739,761

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 March 31, 2023 and December 31, 2022, follow:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Paid-up capital	₱ 18,283,771,630	₱18,283,771,630
Additional paid- in capital	20,021,645,532	20,021,645,532
Treasury shares	(673,299,700)	(673,299,700)
Retained earnings	22,535,361,137	22,440,772,367
	₱60,167,478,599	₱60,072,889,829

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:

<u>Related Party Category</u>	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Due from related parties		
Parent Company		
Ayala Land, Inc.	₱339,654,980	₱122,963,190
Affiliates*	4,512,225,566	4,193,157,381

Other related parties		
Integrated Microelectronics Inc	6,823,441	-
Bank of the Philippine Islands	2,544,627	-
Globe Telecom, Inc.	381,647	344,286
	9,749,715	344,286
	P4,861,630,261	P4,316,464,857

**Entities under common control*

Related Party Category	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties		
Parent Company		
Ayala Land, Inc.	P198,825,982	P160,872,483
Affiliates*	666,262,854	583,358,992
Other related parties		
Manila Water Company Inc	18,592,358	8,498,380
Manila Water Philippine Ventures, Inc.	3,409,433	3,729,107
Globe Telecom, Inc.	135,705	110,082
Innove Communications	55,876	44,297
Bank of the Philippine Islands	10,100	10,100
	22,203,472	12,391,966
	P887,292,308	P756,623,441

**Entities under common control*

14. 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.

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.

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. The Company's available credit line with various local banks as of March 31, 2023 is ₱20.00 billion. The Company may also refinance its short-term and long-term loans and manage its payment terms for its payables.

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.

	March 31, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	₱1,029,630,129	₱1,029,630,129	1,044,320,392	958,142,795

As of March 31, 2023 and December 31, 2022, 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 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 ₱54.59 million and ₱54.82 million for three months ended March 31, 2023 and 2022.

Investing

- Addition in investment properties amounting to ₱11,257.89 million related to the property-for-share swap agreement in 2022.

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 cyclicity 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

26 April 2023 | AREIT, Inc. (AREIT), the first Real Estate Investment Trust (REIT) in the Philippines, secured the approval of its stockholders on a property-for-share swap with its sponsor, Ayala Land, Inc. (ALI) during its Annual Stockholders' Meeting involving flagship offices and malls with an aggregate value of P22,479,697,060 for 607,559,380 AREIT primary common shares, as validated by a third-party fairness opinion.

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

Review of 3M 2023 operations vs 3M 2022

The Company's net income before net fair value change in investment properties increased by 27% from ₱796.40 million in 2022 and ₱1,012.00 million in 2023. The increase was mainly due to income from additional properties acquired in Q4 2022, as well as rental escalations. The Company's net income after tax increased by 25% from ₱810.26 million in 2022 to ₱1,010.33 million in 2023.

Revenues

Total revenues increased by 25% from ₱1,184.52 million in 2022 to ₱1,476.09 million in 2023. This was mainly driven by higher rental income and dues.

Rental Income increased by 30% from ₱873.96 million in 2022 to ₱1,136.14 million in 2023. The increase was primarily attributable to the addition of the Cebu properties namely, Ebloc Towers 1 to 4, ACC Tower and Tech Tower in October 2022.

Dues increased by 12% from ₱255.74 million in 2022 to ₱285.36 million in 2023. The increase was attributable to the operations of new assets acquired in October 2022.

Interest income from finance lease, amounted to ₱54.82 million in 2022 and ₱54.59 million in 2023. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019 and long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which commenced in January 1, 2021 and October 1, 2021 for Vertis Mall.

Net Fair Value Change in Investment Property

In 2023, the Company recognized a reduction in fair value in investment properties of (₱1.41 million) and an increase of ₱13.88 million in 2022.

Cost and Expenses

Direct operating expenses increased by 28% from ₱325.05 million in 2022 to ₱417.26 million in 2023. The increase was primarily due to higher building utilization and expenses from the operations of additional properties acquired in October 2022.

General and administrative expenses slightly decreased from ₱16.59 million to ₱16.52 million mainly due to lower taxes related to loans.

Other Income (charges)

Interest Income increased by 268% from ₱5.49 million in 2022 to ₱20.23 million in 2023. The increase was mainly due to the increase in interest income from intercompany loans from ₱5.42 million in 2022 to ₱18.94 million in 2023.

Interest expense decreased by 18% from ₱54.42 million in 2022 to ₱44.86 million in 2023. The decrease was due to decrease in interest expense on short term debt.

Other charges amounted to ₱5.69 million in 2023 which pertains mainly to amortization of bond issue cost.

Other income amounted to ₱2.45 million in 2022, which pertains to income earned from interest and penalties arising from late payments.

Provision for Income Tax

Provision for income tax, increased from ₱13,391 in 2022 to ₱259,521 million in 2023. This pertains to final tax on interest income from banks.

Capital Expenditure

The Company has no material commitments for capital expenditures.

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

Balance Sheet items- March 31, 2023 versus December 31, 2022

Cash decreased by 27% primarily due to cash flows used in investing activities for payment of dividends.

Receivables current portion increased by 14% primarily due to contribution of new properties acquired in October 2022.

Other current assets increased by 181% mainly due to higher prepaid expenses pertaining to payments of business taxes and real property taxes, which are being amortized for the year.

Receivables non-current portion increased by 3% due to higher non-current portion of finance lease receivables

Property and equipment decreased by 6% mainly due to depreciation of existing office equipment.

Accounts and other payables increased by 34%, in line with the increase in operations due to additional properties.

Current portion of deposits and other liabilities decreased by 5% due to lower advance rental collection.

Construction bonds increased by 3% due to refund to tenants for bonds collected to be used as guarantee against damages to properties resulting from construction, renovation or improvements being undertaken.

Lease liability increased by 14% due to lease liability for the period and timing on the payment of the lease. The rent is payable at a fixed monthly rate, subject to annual escalation rate.

Financial Condition

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

As of March 31, 2023, total current assets, including cash, current portion of receivable, input VAT, prepaid expenses, and recoverable deposits, stood at ₱2,668.95 million, resulting in a current ratio of 0.50:1.

As of March 31, 2023, total debt registered at P3.28 billion which translated to a debt-to-equity ratio of 0.05:1 and a net debt-to-equity ratio of 0.05:1.

Return on equity is at 7% as of March 31, 2023.

Key Financial Ratios	2023	2022
Current Ratio ⁽¹⁾	0.50	0.43
Debt to Equity ⁽²⁾	0.05	0.05
Profitability Ratios		
Return on Asset ⁽³⁾	6%	5%
Return on Equity ⁽⁴⁾	7%	5%
Asset to Equity Ratio ⁽⁵⁾	1.13	1.13

⁽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

- The Company's fixed rate bond will expire on December 28, 2023. We plan to refinance through either another bond offering from its shelf registration or availment of a bank loan.
- 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 March 31,
2023**

Property	Location	Valuation Date	Valuation cost² (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	Dec 2022	7,328	46,768	45,740	98%	26	143	190
Ayala North Exchange ¹	Makati	Dec 2022	11,428	95,407	92,640	97%	35	189	228
MECC	Makati	Dec 2022	1,965	10,688	10,593	99%	32	32	39
TP Cebu	Cebu	Dec 2022	2,008	18,093	18,093	100%	29	42	52
The 30th ¹	Pasig	Dec 2022	5,206	74,704	70,034	94%	33	99	128
Laguna Technopark Land	Laguna	Sept 2022	1,126	98,179	98,179	100%	n/a	20	20
Vertis ¹	Quezon City	Dec 2022	17,249	164,628	159,995	97%	35	299	366
BPI- Philam Makati	Makati	Dec 2022	125	1,072	-	0%	n/a	-	(0)
BPI- Philam Alabang	Muntinlupa	Dec 2022	70	551	551	100%	n/a	1	2
Bacolod Capitol	Negros Occidental	Dec 2022	802	11,313	11,313	100%	39	17	22
Ayala Northpoint	Negros Occidental	Dec 2022	227	4,654	4,654	100%	36	6	8
Evotech	Laguna	Dec 2022	2,790	23,727	23,727	100%	36	47	73
eBloc Towers 1 to 4	Cebu	Dec 2022	8,365	79,640	78,862	99%	36	161	217
ACC Tower	Cebu	Dec 2022	1,913	27,458	26,089	95%	36	54	50
Tech Tower	Cebu	Dec 2022	1,207	16,273	14,937	92%	36	25	27

⁽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 March 31, 2023

- | | | |
|--|--|---------------------------|
| A. New project or investments in another line of business or corporation | None | |
| B. Composition of Board of Directors (as of April 26, 2023) | Anna Ma. Margarita B. Dy | Chairman |
| | Carol T. Mills | President & CEO |
| | Bernard Vincent O. Dy | Non-Executive Director |
| | Augusto D. Bengzon | Non-Executive Director |
| | Mariana Zobel de Ayala | Non-Executive Director |
| | Omar T. Cruz | Lead Independent Director |
| | Enrico S. Cruz | Independent Director |
| | Sherisa P. Nuesa | 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 | ₱0.52 cash dividend per outstanding common share
Declaration date: February 24, 2023
Record date: March 10, 2023
Payment date: March 24, 2023 | |
| 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 3M 2023 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** **26 April 2023** | AREIT, Inc. (AREIT), the first Real Estate Investment Trust (REIT) in the Philippines, secured the approval of its stockholders on a property-for-share swap with its sponsor, Ayala Land, Inc. (ALI) during its Annual Stockholders' Meeting involving flagship offices and malls with an aggregate value of P22,479,697,060 for 607,559,380 AREIT primary common shares, as validated by a third-party fairness opinion.
- 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** **24 February 2023** | The Board of Directors, at its regular meeting held, approved the following:
1. The re-setting of the 2023 Annual Stockholders' Meeting (ASM);
 2. The appointment of the Independent Auditor for 2023;
 3. The increase in authorized capital stock (ACS) and the corresponding amendment of the Seventh Article of the Articles of Incorporation;
 4. The declaration of regular cash dividend of Php0.52 per common share;
 5. The amendments to the Audit Committee Charter;
 6. The adoption of AREIT's Business Integrity Program
- 07 March 2023** | The Board of Directors of AREIT, Inc. (AREIT), approved the subscription of Ayala Land, Inc (ALI),

and its subsidiaries, Ayalaland Malls, Inc. (ALMI), and Northbeacon Commercial Corporation (NBCC) to 607,559,380 AREIT primary common shares, in Exchange for flagship offices and malls with an aggregate value of P22,479,697,060, as validated by a third-party fairness opinion.

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 impact on sales/revenues/ income from continuing operations	AREIT's performance will be dependent on the state of the Philippine Office Sector.
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-March 2023 (Unaudited)	End-December 2022 (Audited)
Current ratio ¹	0.50:1	0.43:1
Debt-to-equity ratio ²	0.05:1	0.05:1
Net debt-to-equity ratio ³	0.05:1	0.05:1
Profitability Ratios:		
Return on assets ⁴	6%	5%
Return on equity ⁵	7%	5%
Asset to Equity ratio ⁶	1.13:1	1.13:1

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 and Chief Finance Officer

Date: May 12, 2023

January 13, 2023

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong
Officer-in-Charge, Disclosure Department

Subject: 2022 Fourth Quarter Progress Report on the Disbursement of Proceeds from the Sale of
87.37 million AREIT Shares

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for the Fourth Quarter of 2022, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

Please be advised that from October 1 to December 31, 2022, Ayala Land disbursed proceeds amounting to One Billion One Hundred Sixty Million Eight Hundred Fifty Seven Thousand Seven Hundred Ninety Four and Fifty Two Centavos (Php1,160,857,794.52).

The details of the disbursement for the Fourth Quarter of 2022 are as follows:

Balance of Proceeds from sale of AREIT Shares as of September 30, 2022	Php1,160,857,794.52
Less: Disbursements from October 1, 2022 to December 31, 2022 (Annex A)	<u>(1,160,857,794.52)</u>
Balance of Proceeds from sale of AREIT Shares as of December 31, 2022	<u>0</u>

Thank you.

Very truly yours,



Augusto D. Bengzon
Ayala Land, Inc.
Treasurer and Chief Finance Officer



Ma. Teresa R. Famy
AREIT, Inc.
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this JAN 13 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000 Passport No. P4323352B	 08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Ma. Teresa R. Famy	TIN: 006-346-689-000 Driver's License No. D06-97-186463	 Expiration Date 05 Dec 2023

Doc. No. 242
Page No. 50
Book No. IV
Series of 2023.

Notarial DST pursuant to
Sec. 188 of the Tax Code
Affixed on Notary Public's cop



[Signature]
MA FELORA A. MANGAWANG
Notary Public - Makati City
Appt. No. M-257 until December 31, 2023
Roll of Attorneys No. 64804
Lifetime IBP No. 013749 - Makati City
PTR No. MKT 9569473 - 1/9/2023 - Makati City
MCLE Compliance No. VII-0006702 - 11/18/2021
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

ANNEX A- Disbursements from October 1 to December 31, 2022

Disbursing Entity	Project Name	Amount (in PHP)
Ayala Land Inc.	Caloocan Property	156,950,720.00
ALI Eton Property Development Corporation (a 50:50 JV between ALI and EPPI)	Quezon City Property	849,000,000.00
Ayala Land Inc.	One Vertis Plaza	154,907,074.52
TOTAL		1,160,857,794.52

STRICTLY CONFIDENTIAL

REPORT OF FACTUAL FINDINGS

AYALA LAND, INC.

31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **December 31, 2022** on the use of the proceeds received by **Ayala Land, Inc.** (the “Company”) from the block sale of its shares in **AREIT, Inc.** (“AREIT”) on **May 2, 2022**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.’s (PSE) requirement to submit an external auditor’s certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the Quarterly Progress Summary Report on Use of Proceeds from the Block Sale of AREIT Shares (the “Schedule”) and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records;
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the Schedule with the schedule of application of proceeds. No exceptions noted.
3. On a sample basis, we also traced the amounts disbursed for the following projects amounting to ₱1,160.86 million for the periods from October 1, 2022 up to December 31, 2022 to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Distributing Entity	Project Name	Amount
Ayala Land, Inc.	Caloocan Property	₱156,950,720
	One Vertis Plaza	154,907,075
ALI Eton Property Development Corporation	Quezon City Property	849,000,000
		₱1,160,857,795

4. On a sample basis, we inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated January 9, 2023 included the proceeds from the block sale of AREIT. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use proceeds from the block sale of AREIT shares as documented in the Amended Reinvestment Plan. No exceptions noted.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the offering and items specified above and do not extend to any financial statements of the Company taken as a whole.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 89336-SEC (Group A)

Valid to cover audit of 2022 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564691, January 3, 2023, Makati City

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

I certify that on **JAN 13 2023**, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA

who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 22 ;
Page No. 6 ;
Book No. 6 ;
Series of 2023.

JR
JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Lifetime No. 04897 / 07-03-03
PTR O.R. No. 9563523 / 01-03-23 / Makati City
MCLE No. VII-0016370 / 04-26-22 Until 04-14-25
G/F Fedman Suites, 199 Salcedo St.
Legaspi Village, Makati City

January 13, 2023

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong
Officer-in-Charge, Disclosure Department

Subject: Final Report on the Disbursement of Proceeds from the Sale of 87.37 million AREIT Shares

Dear Ms. Tom Wong,

We are pleased to submit our Final Report on the Application of Proceeds from the sale of 87.37 million AREIT Shares at a transaction price of PHP39.70 per share, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On May 2, 2022, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 87.37 million AREIT Shares amounting to Three Billion Four Hundred Forty-Four Million Four Hundred Twelve Thousand Nine Hundred Thirty-Four Pesos and Sixty-Seven Centavos (Php3,444,412,934.67).


As of December 31, 2022, ALI already disbursed the total net proceeds amounting to Three Billion Four Hundred Forty-Four Million Four Hundred Twelve Thousand Nine Hundred Thirty-Four Pesos and Sixty-Seven Centavos (Php3,444,412,934.67) in accordance with its Reinvestment plan.


The details of the disbursements are as follows:

Net Proceeds from sale of 87.37 million AREIT Shares as of May 2, 2022	Php3,444,412,934.67
Less: Disbursements from May 2, 2022 to December 31, 2022 (Annex A)	<u>(3,444,412,934.67)</u>
Balance of Proceeds from sale of AREIT Shares as of December 31, 2022	<u>0</u>

Thank you.

Very truly yours,


Augusto D. Bengzon
Ayala Land, Inc.
Treasurer and Chief Finance Officer


Ma. Teresa R. Famy
AREIT, Inc.
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this JAN 13 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000 Passport No. P4323352B	 08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Ma. Teresa R. Famy	TIN: 006-346-689-000 Driver's License No. D06-97-186463	 Expiration Date 05 Dec 2023

*Doc. No. 241
Page No. 50
Book No. 1V
Series of 2023.*



[Signature]
MA. FELORA A. MANGAWANG
Notary Public - Makati City
Appt. No. M-257 until December 31, 2023
Roll of Attorneys No. 64804
Lifetime IBP No. 013749 - Makati City
PTR No. ~~MKT 9569473~~ - 11/1/2023 - Makati City
MCLE Compliance No. VII-0006702 - 11/18/2021
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Notarial DST pursuant to
Sec. 188 of the Tax Code
Affixed on Notary Public's cop

ANNEX A- Disbursements from May 2 to December 31, 2022

Disbursing Entity	Project Name	Amount (in PHP)
Ayala Land Inc.	Caloocan Property	156,950,720.00
ALI Eton Property Development Corporation (a 50:50 JV between ALI and EPPI)	Quezon City Property	2,099,000,000.00
Laguna Technopark Inc.	Batangas Property	745,000,000.00
Ayala Land Inc.	Cavite Property	108,135,603.24
Ayala Land Inc.	One Vertis Plaza	265,207,485.21
Ayala Land Inc.	Andacillo	70,119,126.22
TOTAL		3,444,412,934.67

STRICTLY CONFIDENTIAL

REPORT OF FACTUAL FINDINGS

AYALA LAND, INC.

31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Final Report as at **December 31, 2022** on the use of the proceeds received by **Ayala Land, Inc.** (the “Company”) from the block sale of its shares in **AREIT, Inc.** (“AREIT”) on **May 2, 2022**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.’s (PSE) requirement to submit an external auditor’s certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the Quarterly Progress Summary Report on Use of Proceeds from the Block Sale of AREIT Shares (the “Schedule”) and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records;
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked the additions and disbursements in the Schedule with the schedule of application of proceeds. No exceptions noted.
3. On a sample basis, we traced the additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records. We noted the amounts disbursed for the following projects amounting to ₱3,444.41 million for the periods from May 2 up to December 31, 2022. No exceptions noted.

Distributing Entity	Project Name	Amount
	Andacillo	₱70,119,127
Ayala Land, Inc.	Caloocan Property	156,950,720
	Cavite Property	108,135,603
	One Vertis Plaza	265,207,485
ALI Eton Property Development Corporation	Quezon Property	2,099,000,000
Laguna Technopark Inc.	Batangas Property	745,000,000
		₱3,444,412,935

4. On a sample basis, we inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated January 9, 2023 included the proceeds from the block sale of AREIT. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use proceeds from the block sale of AREIT shares as documented in the Amended Reinvestment Plan. No exceptions noted.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the offering and items specified above and do not extend to any financial statements of the Company taken as a whole.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 89336-SEC (Group A)

Valid to cover audit of 2022 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564691, January 3, 2023, Makati City

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

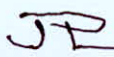
I certify that on **JAN 13 2023** before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA

who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 21 ;
Page No. 6 ;
Book No. 6 ;
Series of 2023.


JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Lifetime No. 04897 / 07-03-03
PTR O.R. No. 9563523 / 01-03-23 / Makati City
MCLE No. VII-0016370 / 04-16-22 Until 04-14-25
G/F Fedman Suites, 188 Salcedo St.
Legaspi Village, Makati City