

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)

September 30, 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 **September 30, 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 September 30, 2023

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	2,368,606,573

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

TABLE OF CONTENTS

	<u>Page No.</u>
PART I - FINANCIAL STATEMENTS	
Item 1. Financial Statements	
• Unaudited Statements of Financial Position as of September 30, 2023, and December 31, 2022	4
• Unaudited Statements of Comprehensive Income for the Nine Months ended September 30, 2023, and 2022	5
• Unaudited Statements of Changes in Equity for the Nine Months ended September 30, 2023, and 2022	6
• Unaudited Statements of Cash Flows for the Nine Months ended September 30, 2023, and 2022	7
• Notes to Interim Financial Statements	8
Item 2. Management's Discussion and Analysis of the Financial Condition and Results of Operations	22
PART II - OTHER INFORMATION	
Item 3. Developments as of September 30, 2023	26
Item 4. Other Notes to 9M 2023 Operations and Financials	27
Item 5. Performance Indicators	29
Signature	30

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

AREIT, INC.

STATEMENTS OF FINANCIAL POSITION

	September 30, 2023 Unaudited	December 31, 2022 Audited
ASSETS		
Current Assets		
Cash (Note 4)	P60,783,607	P62,753,382
Receivables (Note5)	4,390,125,825	1,919,183,751
Other current assets (Note6)	309,569,643	155,825,886
Total Current Assets	4,760,479,075	2,137,763,019
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	8,210,218,569	2,986,455,069
Investment properties (Note 7)	77,900,508,862	60,871,459,005
Property and equipment	1,123,310	598,631
Other noncurrent assets (Note6)	1,594,879,792	1,689,713,043
Total Noncurrent Assets	87,706,730,533	65,548,225,748
	P92,467,209,608	P67,685,988,767
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 8)	P2,163,753,443	P1,065,080,572
Short-term debt (Note 9)	300,000,000	300,000,000
Current portion of long-term debt	2,994,793,729	2,977,693,930
Current portion of deposits, other liabilities (Note 11)	726,656,336	527,675,373
Current portion of lease liability	50,529,294	50,290,868
Construction bonds (Note 10)	82,839,984	98,584,276
Total Current Liabilities	6,318,572,786	5,019,325,019
Noncurrent Liabilities		
Deposits, other liabilities, net of current portion (Note 11)	2,004,492,445	1,457,484,429
Lease liability- net of current portion	1,192,205,852	1,136,289,490
Total Noncurrent Liabilities	3,196,698,297	2,593,773,919
Total Liabilities	9,515,271,083	7,613,098,938
Equity (Note 12)		
Paid-up capital	24,359,365,430	18,283,771,630
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	36,320,032,381	20,021,645,532
Retained earnings	22,945,840,414	22,440,772,367
Total Equity	82,951,938,525	60,072,889,829
	P92,467,209,608	P67,685,988,767

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

	2023 Unaudited		2022 Unaudited	
	July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
REVENUE				
Rental income	P1,522,792,954	P3,799,275,874	P896,567,595	P2,639,205,689
Dues- net	340,100,808	923,950,214	238,397,060	749,891,260
Interest income from finance lease receivables	170,421,322	280,210,137	56,037,282	166,284,544
	2,033,315,084	5,003,436,225	1,191,001,937	3,555,381,493
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	(158,068,068)	(161,061,428)	7,385,251	23,921,250
COSTS AND EXPENSES				
Direct operating expenses	565,675,371	1,403,693,224	328,441,892	955,139,803
General and administrative expenses	27,123,703	62,790,096	12,430,014	50,715,889
	592,799,074	1,466,483,320	340,871,906	1,005,855,692
OTHER INCOME (CHARGES) - Net				
Interest income	-	46,803,516	8,249,541	20,901,823
Interest expense and other charges	(67,578,838)	(153,414,090)	(41,225,074)	(158,564,137)
Other income (expenses)	17,378,882	1,391,820	(10,298,772)	3,940,719
	(50,199,956)	(105,218,754)	(43,274,305)	(133,721,595)
INCOME BEFORE INCOME TAX	1,232,247,986	3,270,672,723	814,240,977	2,439,725,456
PROVISION FOR INCOME TAX	298,648	760,583	28,877	62,659
NET INCOME	1,231,949,338	3,269,912,140	814,212,100	2,439,662,797
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	P1,231,949,338	P3,269,912,140	P814,212,100	P 2,439,662,797
Basic/Diluted Earnings Per Share	P0.52	P1.38	P0.54	P1.62

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

	September 30, 2023 Unaudited	September, 2022 Unaudited
PAID-UP CAPITAL		
Common Shares - ₱10 par value		
Balance at beginning and end of period	₱18,283,771,630	₱15,762,407,800
Issuance of new shares	6,075,593,800	-
Balance at end of the period	24,359,365,430	15,762,407,800
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of period	20,021,645,532	11,333,074,693
Issuance of new shares	16,404,103,260	-
Share issuance costs	(105,716,411)	-
Balance at end of the period	36,320,032,381	
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	3,269,912,140	2,439,662,796
Cash dividends	(2,764,844,093)	(2,172,831,566)
Balance at end of period	22,945,840,414	22,732,238,425
	₱82,951,938,525	₱49,154,421,218

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

	2023 Unaudited January 1 to September 30	2022 Unaudited January 1 to September 30
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,270,672,722	₱2,439,725,455
Adjustments for:		
Net fair value change in investment properties	161,061,428	(23,921,250)
Depreciation and amortization	153,072	59,790
Interest expense	132,839,703	147,508,602
Interest income from finance lease receivables	(280,210,137)	(166,284,544)
Interest income	(46,803,516)	(20,901,823)
Operating income before working capital changes	3,237,713,272	2,376,186,230
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(344,490,363)	226,158,915
Other assets	(41,810,706)	(172,924,155)
Increase (decrease) in:		
Accounts and other payables	1,098,672,872	499,847,095
Deposits and other liabilities	745,988,978	33,325,027
Construction bonds	(15,744,292)	(5,393,968)
Cash generated from (used in) operations	4,680,329,761	2,957,199,144
Interest received	46,803,516	187,186,367
Interest paid	(70,135,046)	(75,465,726)
Income tax paid	(760,584)	(62,660)
Net cash flows provided by (used in) operating activities	4,656,237,647	3,068,857,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	(1,457,457,000)	(219,500,000)
Payments for additions to investment properties	(22,803,337,108)	(92,534,005)
Net cash flows provided by (used in) investing activities	(24,260,794,108)	(312,034,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	(2,764,844,093)	(2,172,831,566)
Proceeds from issuance of shares	22,479,697,060	-
Payment of share issuance cost	(105,716,411)	-
Availment (repayment) of loans	-	(450,000,000)
Payments of principal portion of lease liability	(6,549,870)	-
Net cash flows provided by (used) financing activities	19,602,586,686	(2,622,831,566)
NET INCREASE (DECREASE) IN CASH	(1,969,775)	133,991,554
CASH AT BEGINNING OF PERIOD	62,753,382	92,010,744
CASH AT END OF PERIOD	₱60,783,607	₱226,002,298

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 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. 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 on 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.

ALI handles the operational and administrative functions of the Company before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. handle the company's fund manager and property management functions.

2. Basis of Financial Statement Preparation

The Company's financial statements have been prepared on a historical cost basis, except for investment properties which are measured at fair value and 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 will remain relevant despite the challenges posed by the COVID-19 pandemic.

Statement of Compliance

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

On November 08, 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 adopting 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.

Adopting these new standards did not impact the company's financial statements unless otherwise indicated.

- 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 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 from deducting the cost of an item of property, plant, and equipment or 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 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 applies 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 percent' test for derecognition of financial liabilities*

The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability substantially differ from those 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 significantly impact 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 Noncurrent*
- 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:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Cash on hand	₱192,500	₱72,500
Cash in banks	60,591,107	62,680,882
	₱60,783,607	₱62,753,382

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

5. Receivables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Finance lease receivable	P8,889,591,572	P3,221,146,005
Due from related parties	3,094,237,067	1,095,318,852
Trade receivables – billed	695,168,352	647,588,205
Other receivables	758,863	1,990,659
	12,679,755,854	4,966,043,721
Less allowance for credit losses	79,411,460	60,404,901
	12,600,344,394	4,905,638,820
Less noncurrent portion of finance lease receivable	8,210,218,569	2,986,455,069
	P4,390,125,825	P1,919,183,751

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 September 30, 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	P8,889,591,572	P-	P-	P-	P-	P-	P8,889,591,572
Due from related parties	2,318,157,000	51,906,509	41,895,347	645,675,313	36,602,897	-	3,094,237,067
Trade receivables – billed	48,819,551	273,163,722	100,441,265	109,863,519	83,468,835	79,411,460	695,168,352
Total	P11,256,568,123	P325,070,231	P142,336,612	P755,538,832	P120,071,732	P79,411,460	P12,678,996,991

The movements in allowance for credit losses are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	P60,404,901	P37,456,046
Additions	19,006,559	22,948,855
Balance at end of year	P79,411,460	P60,404,901

6. Other Assets

Other Current Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	P164,984,768	P141,061,071
Prepaid expenses	129,820,060	-
Recoverable deposits	14,764,815	14,764,815
	P309,569,643	P155,825,886

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

Prepaid expenses pertain to payments of business and real property taxes, which are amortized over a year.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	₱1,143,758,665	₱1,044,601,418
Deferred input VAT	310,256,102	548,188,358
Creditable withholding taxes	239,691,442	168,644,360
Advances to contractors	3,301,083	278,907
	₱1,697,007,292	1,761,713,043
Less allowance for possible losses	102,127,500	72,000,000
	₱1,594,879,792	₱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. It 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 utilized as tax credits against income tax due. The Company recognized allowance for probable loss on CWT amounting to ₱30.13 million in 2023 and ₱39 million in 2022.

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

7. Investment Properties

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of the period	₱60,871,459,005	₱50,081,060,761
Acquisitions and Improvements	17,190,111,285	11,334,580,967
Gain (loss) on fair value adjustment	(161,061,428)	(544,182,723)
End of the period	₱ 77,900,508,862	₱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 involved six commercial properties, namely:

- eBloc 1- A twelve (12)-level, PEZA- accredited office development located in Cebu IT Park with a 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 a 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 a 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 a 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 a 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 a gross leasable area of 16,812.74 sq.m.

On September 20, 2023, SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI, AyalaLand Malls, Inc. ("ALMI) and Northbeacon Commercial Corporation ("NBCC) and involved four office buildings and two mall buildings, namely:

- Glorietta 1 and 2 Mall wings, a four (4)- storey commercial development with three basement floors and equipment, redeveloped in 2013, located in Makati Commercial Center, San Lorenzo Village, Makati City with gross floor area of 68,763.84 square meters (sq.m)
- Glorietta BPO 1 and BPO 2, a seven (7) storeys and eight (8) storeys Philippine Economic Zone Authority ("PEZA")-accredited office development and equipment located within Makati Commercial Center, San Lorenzo Village, Makati City, with gross leasable area of 18,770 sq.m and 21,256 sq.m, respectively.
- One Ayala East Tower, a twenty-three (23) level, PEZA- accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 30,999.07 sq.m.
- One Ayala West Tower, a eighteen (18)- level, PEZA-accredited office development and equipment, located along Ayala corner EDSA Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 39,996.00 sq.m.
- Marquee Mall, a three (3)-level, commercial development and equipment, located along Francisco G. Nepo Avenue, Angeles City, Pampanga with a gross floor area of 66,041.04 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 corner Camiguin Roads and Cebu Evotech One and Two with two (2) office buildings situated in Laguna, Bacolod Capitol Corporate Center, and Ayala Northpoint Technohub in Bacolod City. The mixed-use 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-story office building complemented by a four-story 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, consisting 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 an 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, 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 the lease income growth rate and discount rate. Significant increases (decreases) in the 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties	₱1,377,748,471	₱756,623,441
Accounts payable	429,794,365	89,098,143
Accrued expenses		
Light and water	110,040,079	41,848,381
Rent	-	24,956,211
Repairs and maintenance	53,878,445	14,040,220
Others	42,914,540	43,658,602
Taxes payable	146,624,126	90,768,937
Retention payable	2,196,834	3,188,012
Interest payable	556,583	898,625
	₱ 2,163,753,443	₱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, 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:

	September 30, 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	5,206,271	22,306,070
		3,277,693,930
Less current portion	3,294,793,729	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 rates of 6.25% and 5.5%, respectively.

Philippine Peso 2-year bonds due 2023

On December 28, 2021, the Company issued P3.0 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 the obligor's capacity to meet its financial commitment to the obligation is extremely strong.

The loan agreements contain the following restrictions: material changes in the nature of business; maintenance of aggregate leverage limit; payment of dividends and additional loans maturing beyond a year which will result in 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 September 30, 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 fully completing the construction, renovation, or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to P82.84 million and P98.58 million as of September 30, 2023, and December 31, 2022, respectively.

11. Deposits and Other Liabilities

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Security deposits	P1,213,472,420	P1,044,320,392
Advance rentals	1,382,843,300	882,850,489
Deferred credits	134,833,061	57,988,921
	2,731,148,781	1,985,159,802
Less current portion	726,656,336	527,675,373
	P2,004,492,445	P1,457,484,429

The current portion of these accounts follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Security deposits	P258,056,936	P273,861,011
Advance rentals	381,197,644	235,450,965
Deferred credits	87,401,756	18,363,397
	P726,656,336	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 September 30, 2023, and December 31, 2022, follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized	4,050,000,000	2,950,000,000
Par value per share	₱10.00	₱10.00
Issued and outstanding shares	2,368,606,573	1,761,047,193

The changes in the number of shares are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized number of shares		
Balance at the beginning of year at ₱10 par value	2,950,000,000	2,950,000,000
Increase in authorized capital stock at ₱10 par value	1,100,000,000	-
Balance at end of year	4,050,000,000	2,950,000,000
Issued shares		
Balance at beginning of year	1,828,377,163	1,576,240,780
Issuance of new shares	607,559,380	252,136,383
Balance at end of year	2,435,936,543	1,828,377,163
Treasury shares		
Balance at beginning and end of year	(67,329,970)	(67,329,970)
Outstanding	2,368,606,573	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, the SEC approved the property-for-share swap transaction.

On March 07, 2023 and April 26, 2023, the Company's BOD and its stockholders approved the issuance of 607,559,380 primary common shares of stock of the Company to ALI, ALMI and NBCC at an issue price of ₱37.00 per share in exchange for the identified properties. On September 20, 2023, the 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.

In 2023, the Company recorded APIC amounting to ₱16,298 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 ₱105.72 million in 2023.

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.

On May 17, 2023, the Company's BOD approved the declaration of cash dividends for the first quarter of 2023, amounting to ₱0.52 per outstanding common share to stockholders on record as of May 31, 2023, amounting to ₱915.74 million. The cash dividend was paid on June 16, 2023, to stockholders.

On August 14, 2023, the Company's BOD approved the declaration of cash dividends for the second quarter of 2023, amounting to ₱0.53 per outstanding common share to stockholders on record as of August 30, 2023, amounting to ₱933.36 million. The cash dividend was paid on September 13, 2023, to stockholders.

Distributable Income

The computation of the distributable income of the Company as of September 30, 2023, is shown below:

	September 30, 2023
	(Unaudited)
Net income	₱3,269,912,140
Unrealized gains:	
Unrealized (gain)/loss on fair value change in investment properties	161,061,428
<u>Distributable Income</u>	<u>₱3,430,973,568</u>

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 September 30, 2023, and December 31, 2022, follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Paid-up capital	P24,359,365,430	P18,283,771,630
Additional paid- in capital	36,320,032,381	20,021,645,532
Treasury shares	(673,299,700)	(673,299,700)
Retained earnings	22,945,840,414	22,440,772,367
	P82,951,938,525	P60,072,889,829

13. Related Party Transactions

Parties are 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 business conduct, 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 occurs in cash unless otherwise indicated. No guarantees have been 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	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due from related parties		
Parent Company		
Ayala Land, Inc.	P 284,989,757	P 122,963,190
Affiliates*	11,691,947,569	4,193,157,381
Other related parties		
Bank of the Philippine Islands	3,242,126	-
BPI/MS Insurance Corporation	3,008,444	-
Globe Telecom, Inc.	640,742	344,286
	6,891,312	344,286
	P11,983,828,638	P4,316,464,857

*Entities under common control

Related Party Category	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties		
Parent Company		
Ayala Land, Inc.	P383,554,745	P160,872,483
Affiliates*	985,648,218	583,358,992
Other related parties		
Manila Water Philippine Ventures, Inc.	5,368,798	3,729,107
Manila Water Company Inc	2,998,420	8,498,380
Globe Telecom, Inc.	110,959	110,082
Innove Communications	57,231	44,297
BPI Capital Corporation	10,100	10,100

	8,545,508	12,391,966
	₱1,377,748,471	₱756,623,441

**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 arising directly from its operations. The main risks arising from using financial instruments are liquidity and credit risks.

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.

Before the Company's listing, ALI's financing and treasury function operated as a centralized service for managing financial risks and activities and 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 arises when a counterparty does 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. The Company maintains defined credit policies to manage credit risks and continuously monitors its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. Following 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 continuously 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, all financial assets' maximum exposure to credit risk is equal to their carrying amounts.

Liquidity risk

The Company actively manages its liquidity position to meet all operating, investing, and financing needs. The Company's policy is to maintain a sufficient cash level 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 on time and at a reasonable cost. It ensures the availability of ample unused credit facilities as backup liquidity.

The Company's cash is maintained at a level that will enable it to fund its operations and have additional funds as a 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 September 30, 2023, is P 20.00 billion. The Company may also refinance its short-term and long-term loans and manage 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, the carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	P1,213,472,420	P1,213,472,420	1,044,320,392	958,142,795

As of September 30, 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 measurements.

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 P280.21 million and P166.28 million for nine months ended September 30, 2023, and 2022.

Investing

- Addition in investment properties amounting to P22,479.70 million and P11,257.89 million related to the property-for-share swap agreement in 2023 and 2022, respectively.

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 the management uses in allocating resources.

18. Seasonality of Operations

There were no operations subject to seasonality or cyclicity except for the Company's retail operations. The Company generates a relatively stable stream of revenues throughout the year, with

higher sales experiences from shopping centers in the fourth quarter of every year due to holiday spending. This information is provided to better understand 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 9M 2023 operations vs 9M 2022

The Company's net income before the net fair value change in investment properties increased by 42% from ₱2,415.80 million in 2022 and ₱3,431.73 million in 2023. The increase was mainly due to income from stable operations and the contribution of additional properties acquired in the fourth quarter of 2022 and third quarter of 2023. The Company's net income after tax increased by 34% from ₱2,439.66 million in 2022 to ₱3,269.91 million in 2023.

Revenues

Total revenues increased by 41% from ₱3,555.38 million in 2022 to ₱5,003.44 million in 2023. This growth was mainly driven by higher rental income and dues.

Rental Income increased by 44% from ₱2,639.21 million in 2022 to ₱3,799.28 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 and One Ayala West & East Towers, Glorietta 1 and 2 BPO and Mall wing and Marquee mall in July 2023.

Dues increased by 23% from ₱749.89 million in 2022 to ₱923.95 million in 2023. The increase was attributable to the operations of new assets acquired effective October 2022 and July 2023.

Interest income from finance leases amounted to ₱166.28 million in 2022 and ₱280.21 million in 2023, attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019, long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which begun on January 1, 2021, and October 1, 2021, for Vertis Mall and long-term leases of AyalaLand Malls, Inc. and Northbeacon Commercial Corporation with the Company, for Glorietta 1 and 2 mall wing and Marquee mall commenced on July 1, 2023.

Net Fair Value Change in Investment Property

In 2023, the Company recognized a reduction in fair value in investment properties of (₱161.06 million) and an increase of ₱23.92 million in 2022.

Cost and Expenses

Direct operating expenses increased by 47% from ₱955.14 million in 2022 to ₱1,403.69 million in 2023. The increase was primarily due to higher building utilization and expenses from the operations of additional properties acquired in October 2022 and July 2023.

General and administrative expenses decreased by 24% from ₱50.72 million in 2022 to ₱62.79 million in 2023, mainly due to higher provision for doubtful accounts.

Other Income (charges)

Interest Income increased by 124% from ₱20.90 million in 2022 to ₱46.80 million in 2023. The increase was mainly due to the increase in interest income from intercompany loans.

Interest expense decreased by 3% from ₱158.56 million in 2022 to ₱153.41 million in 2023. The decrease was due to a decrease in interest expense on short-term debt.

Other charges amounted to ₱15.97 million in 2023, which pertains mainly to amortization of bond issue cost.

Provision for Income Tax

Income tax provision increased from ₱62,659 in 2022 to ₱760,583 million in 2023 due to the 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- September 30, 2023, versus December 31, 2022

Receivables current portion increased by 129%, primarily due to the contribution of new properties acquired in October 2022 and July 2023.

Other current assets increased by 99%, mainly due to higher prepaid expenses on payments of business and real property taxes, which are being amortized for the year.

Receivables noncurrent portion increased by 175%, mainly due to additional finance lease receivable recognized in Q3 2023, for the long-term leases with ALMI and NBCC for Glorietta 1 & 2 mall wings and Marquee mall.

Investment properties increased by 28%, due to acquisition of new assets effective July 2023.

Property and equipment increased by 88%, mainly due to additional office equipment, furniture, and fixtures.

Other noncurrent assets decreased by 6%, mainly due to additional provision for creditable withholding tax and amortization of deferred input VAT.

Accounts and other payables increased by 103%, in line with the increase in operations due to additional properties.

Deposits and other liabilities- current, increased by 38% due to higher advance rental collection.

Construction bonds decreased by 16% due to refunds to tenants for bonds collected to be used as a guarantee against damages to properties resulting from construction, renovation, or improvements.

Deposits and other liabilities- noncurrent, increased by 38%, mainly due additional deposits and advance rent from newly acquired assets.

The lease liability noncurrent portion increased by 5% due to lease liability for the period and timing of the lease payment. The rent is payable at a fixed monthly rate, subject to an annual escalation rate.

Paid-up capital and additional paid-in capital increased by 33% and 81%, respectively, due to issuance of new shares in exchange for properties.

Financial Condition

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

As of September 30, 2023, total current assets, including cash, current portion of receivable, input VAT, prepaid expenses, and recoverable deposits, stood at ₱4,760.48 million, resulting in a current ratio of 0.75:1.

As of September 30, 2023, total debt registered at P3.29 billion, translating to a debt-to-equity ratio of 0.04:1 and a net debt-to-equity ratio of 0.04:1.

Return on equity is at 7% as of September 30, 2023.

Key Financial Ratios	2023	2022
Current Ratio ⁽¹⁾	0.75	0.43
Debt to Equity ⁽²⁾	0.04	0.05
Profitability Ratios		
Return on Asset ⁽³⁾	5%	5%
Return on Equity ⁽⁴⁾	6%	5%
Asset to Equity Ratio ⁽⁵⁾	1.11	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 the 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.
- No known trend, event, or uncertainty has had or is reasonably expected to materially impact the net sales, 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.
- No known events and uncertainties will trigger direct or contingent financial obligation 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 relationships of the Company with unconsolidated entities or other persons created during the reporting period.

Property Performance as of Sept 30 2023

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	Dec 2022	7,328	46,768	45,740	98%	25	426	551
Ayala North Exchange ¹	Makati	Dec 2022	11,428	95,314	85,530	90%	35	570	678
MECC	Makati	Dec 2022	1,965	10,688	10,117	95%	31	97	119
TP Cebu	Cebu	Dec 2022	2,008	18,093	18,093	100%	28	125	158
The 30th ¹	Pasig	Dec 2022	5,206	74,704	70,033	94%	33	307	397
Laguna Technopark Land	Laguna	Sept 2022	1,126	98,179	98,179	100%	n/a	61	61
Vertis ¹	Quezon City	Dec 2022	17,249	164,450	163,492	99%	34	906	1,110
BPI- Philam Makati	Makati	Dec 2022	125	1,072	-	0%	n/a	-	(1)
BPI- Philam Alabang	Muntinlupa	Dec 2022	70	551	551	100%	n/a	4	6
Bacolod Capitol	Negros Occidental	Dec 2022	802	11,313	11,313	100%	39	51	67
Ayala Northpoint	Negros Occidental	Dec 2022	227	4,654	4,654	100%	35	19	24
Evotech	Laguna	Dec 2022	2,790	23,727	23,727	100%	35	141	220
eBloc Towers 1 to 4	Cebu	Dec 2022	8,365	79,640	78,499	99%	35	479	648
ACC Tower	Cebu	Dec 2022	1,913	27,458	26,365	96%	35	156	156
Tech Tower	Cebu	Dec 2022	1,207	16,273	12,852	79%	35	67	76
One Ayala West and East Towers ²	Makati		6,356	70,995	69,575	98%	41	259	290
Glorietta 1&2 BPOs and Mall ²	Makati		14,075	76,106	75,681	99%	36	129	233
Marque Mall	Pampanga		2,049	40,544	40,544	100%	36		

⁽¹⁾ Does not include portion of ANE Seda, The 30th Mall, Vertis Mall, Glorietta 1&2 Mall, and Marque Mall which are accounted for under finance lease

⁽²⁾ Valuation based on latest appraisal reports using Income approach except for 1) Laguna Technopark land which was based on Market approach and 2) One Ayala West and East Towers, Glorietta 1&2 BPOs and Mall and Marque Mall which is based on latest Transaction Value

PART II- OTHER INFORMATION

Item 3. Developments as of September 30, 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 the unaudited financial statements and management's discussion on the results of operations. | |
| D. Declaration of dividends | <p>₱0.52 cash dividend per outstanding common share
 Declaration date: February 24, 2023
 Record date: March 10, 2023
 Payment date: March 24, 2023</p> <p>₱0.52 cash dividend per outstanding common share
 Declaration date: May 17, 2023
 Record date: May 31, 2023
 Payment date: June 16, 2023</p> <p>₱0.53 cash dividend per outstanding common share
 Declaration date: August 17, 2023
 Record date: August 30, 2023
 Payment date: September 13, 2023</p> | |
| 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 1H 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 | 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 | 20 September 2023 AREIT, Inc. (AREIT), the pioneer REIT in the Philippines, has obtained the Securities and Exchange Commission's (SEC) approval of Ayala Land, Inc. (ALI), Ayalaland Malls, Inc. (ALMI), and Northbeacon Commercial Corporation's (NBCC) (ALMI and NBCC are referred to as Subsidiaries) subscription to 607,559,380 AREIT shares in exchange for identified four (4) prime office buildings located in Ayala Commercial Center in Makati City and two (2) regional flagship malls located in Makati City and Angeles City with a total value of Php22,479,697,060.00, pursuant to |

the Deed of Exchange dated 02 June 2023. The new assets are expected to contribute to earnings of the company beginning in the 3Q of 2023.

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 depend 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-September 2023 (Unaudited)	End-December 2022 (Audited)
Current ratio ¹	0.75:1	0.43:1
Debt-to-equity ratio ²	0.04:1	0.05:1
Net debt-to-equity ratio ³	0.04:1	0.05:1
Profitability Ratios:		
Return on Assets ⁴	5%	5%
Return on Equity ⁵	6%	5%
Asset to Equity Ratio ⁶	1.11:1	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. The asset-to-equity ratio measures our financial leverage and long-term solvency.*

SIGNATURE

Pursuant to the Securities Regulation Code requirements, 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: November 14, 2023

October 10, 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: 2023 Third Quarter Progress Report on the Disbursement of Proceeds from the Sale of
205 million AREIT Shares

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for the Third Quarter of 2023, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On April 3, 2023, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 205 million AREIT Shares amounting to Six Billion Five Hundred Thirty-Six Million One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000).

As of September 30, 2023, the remaining balance of the net proceeds from the sale of 205 million AREIT Shares, amounts to Three Billion Five Hundred Fifty Two Million Nine Hundred Ninety Eight Thousand Six Hundred Seventy Seven Pesos (Php3,552,998,677).

The details of the disbursement for the Third Quarter of 2023 are as follows:

Balance of Proceeds from sale of AREIT Shares as of June 30, 2023	Php4,456,556,520
Less: Disbursements from July 1 to Sept 30, 2023 (Annex A)	<u>903,557,843</u>
Balance of Proceeds from sale of AREIT Shares as of September 30, 2023	<u>Php3,552,998,677</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 OCT 10 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. 426 ;
Page. No. 87 ;
Book No. V ;
Series of 2023.

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




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. MKT9569473 - 01/09/2023 - 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 July 1 to September 30, 2023

Project Name	Disbursing Entity	Amount (in PHP)
One Vertis Plaza	Ayala Land, Inc.	258,785,867
Park Cascades	Ayala Land, Inc.	164,963,058
Arbor Lanes	Ayala Land, Inc.	158,763,445
Orean Place T1	Ayala Land, Inc.	161,272,831
Tryne Enterprise Plaza	Ayala Land, Inc.	93,369,577
Gardencourt Residences	Ayala Land, Inc.	66,403,065
TOTAL		903,557,843



Agreed-Upon Procedures Report

To the Management of
Ayala Land, Inc.
31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from July 1 to September 30, 2023 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on April 3, 2023 and may not be suitable for another purpose.

Responsibilities of the Engaging Party

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower (formerly Philamlife Tower), 8767 Paseo de Roxas,
1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2023, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from July 1 to September 30, 2023 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from July 1 to September 30, 2023 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted. We present in Appendix A the schedule for the period from July 1 to September 30, 2023 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked 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.	No exceptions were noted. We have noted that the Sponsor Reinvestment Plan dated April 3, 2023 included the proceeds from the block sale of AREIT shares amounting to P6,536,167,000. Out of the total proceeds, P903,557,843 has been disbursed from July 1 to September 30, 2023 based on the information we obtained from the Company as presented in Appendix A.



Restriction on Distribution and Use

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink that reads "Ruth F. Blasco".

Ruth F. Blasco

Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024
financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024
financial statements

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City

October 10, 2023



Appendix A

Summary of Quarterly Progress Report from July 1 to September 30, 2023


Distributing Entity	Project Name	Amount (in Php)
Ayala Land, Inc.	Gardencourt Residences	66,403,065
	Arbor Lanes	158,763,445
	One Vertis Plaza	258,785,867
	Orean Place T1	161,272,831
	Tryne Enterprise Plaza	93,369,577
	Park Cascades	164,963,058
		903,557,843

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

ACKNOWLEDGEMENT

10th SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this day of October 2023, by RUTH F. BLASCO who presented to me her CPA License ID No. 112595 issued by the Professional Regulation Commission in the City of Manila and valid until October 8, 2026, that she is the same person who personally signed before me the foregoing document and acknowledged that she executed the same.

Doc. No. 13 :
Page No. 04 :
Book No. 03 :
Series of 2023.


Atty. Valerie S. Buluran-Reyes
Notary Public for Makati City
Until December 31, 2023
Appointment no. M-304
Roll no. 78742

PTR no. 9574296/12 Jan 2023/Makati
IBP no. 181214/03 Jan 2023/Makati
MCLE Compliance no. VIII-0000490
29/F AIA tower, 8767 Paseo de Roxas Makati City