



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of AREIT, INC. will be conducted virtually via <http://www.ayalagroupshareholders.com/> on **Wednesday, April 26, 2023 at 2:00 o'clock in the afternoon** with the following

### A G E N D A<sup>1</sup>

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of Previous Annual and Special Stockholders' Meetings
4. Annual Report
5. Ratification of the Acts of the Board of Directors and Officers
6. Approval of the Increase in Authorized Capital Stock of the Company from ₱29,500,000,000.00 to ₱40,500,000,000.00, and the corresponding Amendment of the Seventh Article of the Articles of Incorporation
7. Approval of Issuance of Common Shares in Exchange for Properties
8. Election of Directors (Including the Independent Directors)
9. Appointment of External Auditor and Fixing of its Remuneration
10. Consideration of Such Other Business as May Properly Come Before the Meeting
11. Adjournment

Only stockholders of record as of **March 24, 2023** are entitled to notice of, and to vote at, this meeting.

Pursuant to the Company's By-Laws, the Chairman, by authority delegated by the Board of Directors during its meeting on November 14, 2022, approved that the Annual Stockholders' Meeting be held in a fully virtual format, including all the necessary and related arrangements thereto, hence, stockholders may only attend the meeting by remote communication, by voting *in absentia* or by appointing the Chairman of the meeting as their proxy.

Duly accomplished proxies shall be submitted on or before April 17, 2023 to the Office of the Corporate Secretary at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph). Validation of proxies is set for April 19, 2023 at 9:00 o'clock in the morning.

Stockholders may participate by remote communication or vote *in absentia* subject to validation procedures. Stockholders intending to participate by remote communication should notify the Company by email on or before April 17, 2023. The procedures for participating in the meeting through remote communication and for casting of votes *in absentia* will be set forth in the Information Statement.<sup>2</sup>

Stockholders of record as of March 24, 2023 owning at least 5% of the total outstanding capital stock of the Company may submit proposals on items for inclusion in the agenda on or before April 19, 2023.<sup>3</sup>

All email communications should be sent to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before the designated deadlines.

Makati City, March 27, 2023.

  
SOLOMON M. HERMOSURA  
Corporate Secretary

<sup>1</sup> See next page for the explanation and rationale for each agenda item.

<sup>2</sup> Stockholders should notify the Company at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) of their preference to receive hard copies of the Information Statement and other ASM materials on or before March 24, 2023.

<sup>3</sup> The inclusion of the proposed agenda item is in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company's internal guidelines.

## **EXPLANATION AND RATIONALE OF AGENDA ITEMS**

### **Call to Order**

The Chairman will formally open the meeting at approximately 2:00 o' clock in the afternoon.

### **Certification of Notice and Quorum (and Rules of Conduct and Procedures)**

The Corporate Secretary will certify that written notice for the meeting was duly sent to stockholders and that a quorum exists for the transaction of business.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, the Company has set up a designated online web address which may be accessed by the stockholders to register and vote on the matters at the meeting *in absentia*.<sup>4</sup> A stockholder participating by remote communication or who votes *in absentia* shall be deemed present for purposes of quorum.

The following are the rules of conduct and procedures for the meeting to be conducted in virtual format:

- (i) Stockholders may attend the meeting remotely through the online web address (URL) provided. Questions and comments may be sent prior to or during the meeting to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) and shall be limited to the items in the Agenda.
- (ii) Each of the proposed resolutions will be shown on the screen during the livestreaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company on or before April 17, 2023 of their intention to participate in the meeting by remote communication to be included in determining the existence of a quorum, together with the stockholders who voted *in absentia* and by proxy.
- (iv) Voting shall only be allowed for stockholders registered in the Voting *in Absentia* and Shareholder (VIASH) System or through authorizing the Chairman of the meeting as proxy.
- (v) Stockholders voting *in absentia*, who have previously registered in the VIASH System, may cast their votes electronically at any time using the VIASH System prior to or during the meeting.
- (vi) All items in the agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.
- (vii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes. Each outstanding share of stock entitles the registered stockholder to one vote.
- (viii) The Office of the Corporate Secretary will tabulate all votes received and an independent third-party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.
- (ix) The meeting proceedings shall be recorded in audio and video format.
- (x) A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting. Stockholders shall have two (2) weeks from posting to raise to the Company any issues, clarifications and concerns on the matters arising from the meeting conducted.

### **Approval of Minutes of Previous Annual and Special Stockholders' Meetings**

The soft copy of the minutes of the Annual and Special Stockholders' Meetings held on April 21, 2022 are available at the Company's Website, <https://www.areit.com.ph/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings>. A soft copy of the minutes will also be distributed to the stockholders after their registration for the meeting.

A resolution approving the minutes will be presented to the stockholders and approved by the vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

### **Annual Report**

The President and Chief Executive Officer will deliver the "Message from the Chairman and President" which provides the highlights of the performance of the Company for the year 2022, including the significant operational and financial performance as well as, the milestones and achievements of the Company and the outlook of the Company for the year 2023 and beyond.

The Company's 2022 Integrated Report will contain the "Message from the Chairman and President." The Integrated Report in PDF format will be posted on the Company's website, [areit.com.ph](http://areit.com.ph).

The Audited Financial Statements (AFS) as of December 31, 2022 will be presented to the stockholders for their approval. The AFS will be embodied in the Information Statement that may be accessed by the stockholders at the Company's website, [areit.com.ph](http://areit.com.ph), and will also be set forth in the Integrated Report. The Audit Committee has recommended to the Board the approval of the AFS, and the Board approved the AFS on February 24, 2023.

A resolution noting the report and approving the AFS will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

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<sup>4</sup> The detailed instructions pertaining to the URL and the use thereof will be provided in the Information Statement.

#### Ratification of the Acts of the Board of Directors and Officers

The acts of the Board and its Committees were those adopted since the annual stockholders' meeting on April 21, 2022 until April 26, 2023. They include the approval of agreements, projects, investments, treasury-related matters and other matters covered by disclosures to the Securities and Exchange Commission, the Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation. The acts of the officers were those taken to implement the resolutions of the Board or its Committees or in the general conduct of business.

A resolution on this agenda item will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

#### Approval of the Increase in Authorized Capital Stock of the Company from ₱29,500,000,000.00 to ₱40,500,000,000.00, and the corresponding Amendment of the Seventh Article of the Articles of Incorporation

Approval by the stockholders will be sought to increase the authorized capital stock from ₱29,500,000,000.00 divided into 2,950,000,000 common shares with a par value of ₱10.00 per share to ₱40,500,000,000.00 divided into 4,050,000,000 common shares with par value of ₱10.00, and to amend the Seventh Article of the Articles of Incorporation to reflect such increase. The increase in capital stock will enable the Company to grow its assets under management through various modes of acquisition, including a property-for-share swap. The Board approved the increase and the corresponding amendment during its meeting on February 24, 2023.

A resolution on this agenda item must be approved by stockholders owning at least 2/3 of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

#### Approval of Issuance of Common Shares in Exchange for Properties

Approval of the stockholders will be sought for the issuance of 607,559,380 primary common shares to Ayala Land, Inc. (ALI), and its subsidiaries, Ayala Land Malls, Inc. (ALMI), and Northbeacon Commercial Corporation (NBCC), in exchange for identified properties owned by ALI, ALMI, and NBCC valued at Twenty-Two Billion Four Hundred Seventy-Nine Million Six Hundred Ninety-Seven Thousand Sixty Pesos (₱22,479,697,060.00), under a property-for-share swap, at an issue price of ₱37.00 per share, set at a 3% premium over the thirty (30)-day volume weighted average price (30-day VWAP) of ₱35.83 or the prevailing Market Price.<sup>5</sup>

A resolution on this agenda item will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

#### Election of Directors (Including the Independent Directors)

The Corporate Governance and Nomination Committee of the Board has evaluated and determined that the eight (8) nominees to the Board, including the nominees for independent directors, have all the necessary qualifications to serve as directors and the expertise and competence, individually and collectively, to enable the Board to fulfill its roles and responsibilities and manage the Company to achieve its objectives.

The profiles of the candidates to the Board of Directors will be provided in the Information Statement.

#### Appointment of External Auditor and Fixing of its Remuneration

The Audit Committee of the Board will endorse to the stockholders the appointment of PwC Isla Lipana & Co. (Isla Lipana) as the external auditor for the ensuing year as well as its proposed remuneration. The external audit conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

The profile of Isla Lipana will be provided in the Information Statement.

A resolution for the appointment of the external auditor, Isla Lipana, and the fixing of its remuneration will be presented to the stockholders for adoption by the affirmative vote of stockholders representing a majority of the outstanding capital stock voting *in absentia* or voting through the Chairman of the meeting as proxy.

#### Consideration of Such Other Business as May Properly Come Before the Meeting

The Chairman will open the floor for comments and questions by the stockholders and take up agenda items received from stockholders on or before April 19, 2023 in accordance with existing laws, rules and regulations of the Securities and Exchange Commission and the Company's internal guidelines.<sup>6</sup>

<sup>5</sup> **Market Price** means the volume weighted average of the closing price for a period of thirty (30) trading days prior to the approval of the transaction (PSE Consolidated Listing and Disclosure Rules, Rule V, Section 9, paragraph (a)). Transaction date refers to the approval of the Company's Board of Directors when the issue price was set, or the meeting of the Board of Directors on March 7, 2023.

<sup>6</sup> SEC Memorandum Circular No. 14, series of 2020 or "Shareholders' Right to Put items on the Agenda for Regular/Special Stockholders' Meetings": <https://www.sec.gov.ph/mc-2020/mc-no-14-s-2020shareholders-right-to-put-items-on-the-agenda-for-regular-special-stockholders-meetings/>.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS  
INFORMATION STATEMENT OF  
AREIT, INC. (the "Registrant", "Company" or "AREIT")  
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE  
WITH PROXY SOLICITATION

1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement

2. Name of Registrant as specified in its charter **AREIT, INC.**

3. Province, country or other jurisdiction of incorporation or organization **REPUBLIC OF THE PHILIPPINES**

4. SEC Identification Number **CS200613870**

5. BIR Tax Identification Code **006-346-689**

6. Address of principal office **28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City 1226**

7. Registrant's telephone number, including area code **(632) 7908 3804**

8. Date, time and place of the meeting of security holders

Date	<b>April 26, 2023</b>
Time	<b>2:00 pm</b>
Place	<b>To be conducted virtually through</b> <u><a href="http://www.ayalagroupshareholders.com/">http://www.ayalagroupshareholders.com/</a></u> <sup>7</sup>

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Date	<b>March 28, 2023</b>
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10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act:

a. Shares of Stock as of January 31, 2023<sup>8</sup>

**Common Shares 1,828,377,163**

b. Amount of Debt Outstanding as of February 28, 2023

**₱ 2.98 Billion<sup>9</sup>** composed of ₱2,982.28 million (net of debt issue costs) fixed bonds due on 2023. The ₱2.98 billion debt outstanding is well within the aggregate leverage limit for a REIT. AREIT's leverage ratio as of December 31, 2022 is 9.71%.

11. Are any or all of registrant's securities listed in a Stock Exchange?

☐ Yes ☒ No

**1,576,240,780 common shares are listed with the Philippine Stock Exchange ("PSE")**

<sup>7</sup> Please refer also to Item 20 of this Information Statement.

<sup>8</sup> The Company's outstanding capital stock as of December 31, 2022 is 1,761,047,193 shares. On January 18, 2023, the Company received the Confirmation of Valuation of the SEC as regards the issuance of 252,136,383 common shares of stock of the Company in favor of Ayala Land, Inc. in exchange for identified commercial properties, as approved by the Board of Directors and the stockholders on March 10, 2022 and April 21, 2022, respectively.

<sup>9</sup> Amount of outstanding debt as of December 31, 2022 is ₱2,977,693,930 (net of bond issue cost).

## PROXY

### 1. IDENTIFICATION

This Proxy is being solicited by **AREIT, INC.**, on and in its behalf, in connection with the Annual Stockholders' Meeting of **AREIT, INC.**, to be held on April 26, 2023, at 2:00 o'clock in the afternoon.

### 2. INSTRUCTIONS

The undersigned stockholder of **AREIT, INC.** (the "Company") hereby appoints the Chairman of the meeting of the stockholders, as *attorney-in-fact* and *proxy*, to represent and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on April 26, 2023, and at any of the adjournments thereof for the purpose of acting on the matters stated below.

Please place an "X" in the box below how you wish your votes to be cast in respect of the matters to be taken up during the meetings.

If no specific direction as to voting is given, the votes will be cast for the election of all nominees and for the approval of the resolutions on the matters stated below and as set out in the notice, and for such other matters as may properly come before the meeting in the manner described in the Information Statement and as recommended by the Chairman.

#### Annual Stockholders' Meeting

1. Approval of minutes of previous meeting.

☐ For ☐ Against ☐ Abstain

Enrico S. Cruz

Sherisa P. Nuesa

2. Annual report.

☐ For ☐ Against ☐ Abstain

7. Appointment of PwC Isla Lipana & Co. as the external auditor and fixing of its remuneration.

☐ For ☐ Against ☐ Abstain

3. Ratification of the acts of the Board of Directors and Officers.

☐ For ☐ Against ☐ Abstain

8. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.

☐ For ☐ Against

4. Approval of the increase in Authorized Capital Stock from ₱29,500,000,000.00 to ₱40,500,000,000.00 and the corresponding amendment to the Seventh Article of the Articles of Incorporation.

☐ For ☐ Against ☐ Abstain

5. Approval of issuance of common shares in exchange for properties.

☐ For ☐ Against ☐ Abstain

PRINTED NAME OF STOCKHOLDER

6. Election of Directors

Bernard Vincent O. Dy

No. of Votes

Carol T. Mills

Augusto D. Bengzon

Mariana Zobel de Ayala

Anna Ma. Margarita B. Dy

*Independent Directors*

Omar. T. Cruz

SIGNATURE OF STOCKHOLDER /  
AUTHORIZED SIGNATORY

NUMBER OF SHARES HELD

DATE

A scanned copy of this Proxy should be received by the Corporate Secretary at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before **April 17, 2023**, the deadline for submission of Proxies. For individual stockholders, please submit with this Proxy the appropriate Certification from your broker/trading participant as to your stock ownership as of Record Date and sign this form. For corporate stockholders, please attach to this Proxy form the Secretary's Certificate on the authority of the signatory to appoint the Proxy and sign this form, and the appropriate Certification from your broker/trading participant as to your stock ownership as of Record Date.

### **3. REVOCABILITY OF PROXY**

A stockholder giving a Proxy has the power to revoke it at any time before the right granted is exercised. The Proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting. A Proxy is also considered revoked if the stockholder registers and votes on the Voting *In Absentia* & Shareholder (VIASH) System. This Proxy shall be deemed revoked after the right granted is exercised during the Annual Stockholders' Meeting of the Company on April 26, 2023. Shares represented by an unrevoked Proxy will be voted as authorized by the stockholder.

Stockholders participating by remote communication will not be able to vote unless they register in the VIASH system or authorize the Chairman of the meeting to vote as Proxy, on or before **April 17, 2023**.

### **4. PERSON MAKING THE SOLICITATION**

The solicitation is made by the Company. No director of the Company has informed the former in writing that she/he intends to oppose an action intended to be taken up by the Company at the Annual Stockholders' Meeting. Solicitation of the proxies shall be made through the use of ordinary mail, electronic means of communication, or personal delivery. The total estimated amount to be spent in connection with the release and sending of the Proxy forms is approximately P20,000.00. Costs for solicitation will be shouldered by the Company.

### **5. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

The directors and officers do not have a substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon other than election of the Board of Directors for the ensuing year. The Company has not received any written information from anyone seeking to oppose any action to be taken up in the Annual Stockholders' Meeting of the Company.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

## INFORMATION REQUIRED IN THE INFORMATION STATEMENT

### A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders (hereafter, the “annual stockholders’ meeting” or “meeting”)**

Date	April 26, 2023
Time	2:00 pm
Place	To be conducted virtually through <a href="http://www.avalagroupshareholders.com/">http://www.avalagroupshareholders.com/</a>

<sup>10</sup>

**Principal Office** 28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City 1226

The Information Statement may be accessed by the Company’s stockholders beginning March 28, 2023 at the Company’s website, [areit.com.ph](http://areit.com.ph).

The enclosed Proxy is solicited for and on behalf of the Company for use in connection with the Annual Stockholders’ Meeting of the Company on April 26, 2023.

Item 2. **Dissenters' Right of Appraisal**

Under Sections 41 and 80, Title X of the Revised Corporation Code of the Philippines (“Revised Corporation Code”), a stockholder shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of funds by the Company in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized.

There are no matters or actions to be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No current director or officer,<sup>11</sup> or nominee for election as director or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken at the annual stockholders’ meeting.

<sup>10</sup> Please also refer to Item 20 of this Information Statement.

<sup>11</sup> References to directors, officers, Board or Committees are references to directors, officers, Board or Committees of the Company, unless otherwise specified.



## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

**(a) Number of Shares Outstanding as of February 28, 2023:** Common Shares

1,761,047,193

**Number of Votes Entitled:** one (1) vote per share

- (b) All stockholders of record as of March 24, 2023 are entitled to receive notice and to vote at the annual stockholders' meeting.

**(c) Manner of Voting**

Article II, Section 7 of the By-Laws of the Company (the "By-Laws") provide:

"Section 7 - Unless otherwise provided by law, each stockholder entitled to vote may vote in person, through remote communication, *in absentia*, electronically or otherwise or be represented by proxy at any regular or special stockholders' meeting, subject to compliance with rules and regulations as may be issued by the Securities and Exchange Commission from time to time. At all meetings of the stockholders, all elections and all questions, except in cases where hereunder specified or where other provision is made by statute or by the Articles of Incorporation, shall be decided by the majority vote of the stockholders present in person, through remote communication, *in absentia*, electronically or otherwise or by proxy, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. *(as amended in a meeting of the Board of Directors and stockholders on September 26, 2018; and as further amended in a meeting of the Board of Directors on October 22, 2020 and later ratified on June 14, 2021, pursuant to the delegation by the stockholders to the Board of Directors of the power to amend the By-Laws on 23 April 2021.)*

On November 14, 2022, the Chairman, by authority delegated by the Board of Directors of the Company, approved and authorized the holding of a fully virtual 2023 annual stockholders' meeting, including all the necessary and related arrangements, and the internal guidelines or procedures on participation in meetings by remote communication and voting *in absentia* in compliance with the requirement of the Securities and Exchange Commission and in accordance with Sections 57 and 23 of the Revised Corporation Code. Stockholders may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. Please refer to Annex "A (I)" for the detailed instruction on electronic voting. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

**(d) Security Ownership of Certain Record and Beneficial Owners and Management**

- i. Security Ownership of Record and Beneficial Owners of more than 5% as of February 28, 2023:



Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Ayala Land, Inc. <sup>12</sup> 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. <sup>13</sup>	Filipino	966,408,006	54.8769%
Common	PCD Nominee Corporation (Filipino) <sup>14</sup> G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers <sup>15</sup>	Filipino	515,812,309	29.2901%
Common	AyalaLand Offices, Inc. <sup>16</sup>	AyalaLand Offices, Inc. <sup>17</sup>	Filipino	96,292,435	5.4679%

ii. Security Ownership of Directors and Management (Executive Officers) as of February 28, 2023:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
<b>Directors</b>				
Common	Bernard Vincent O. Dy	(direct) 1	Filipino	0.0000%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.0000%
Common	Jose Emmanuel H. Jalandoni	(direct) 1	Filipino	0.0000%
Common	Carol T. Mills	(direct & indirect) 116,001	Filipino	0.0066%
Common	Enrico S. Cruz	(direct & indirect) 2,625,001	Filipino	0.1491%
Common	Omar T. Cruz	(direct & indirect) 962,901	Filipino	0.0547%
Common	Jessie D. Cabaluna	(direct & indirect) 25,001	Filipino	0.0014%
Common	Mariana E. Zobel de Ayala	(direct) 1	Filipino	0.0000%
<b>CEO and Most Highly Compensated Executive Officers</b>				
Common	Carol T. Mills	(direct & indirect) 116,001	Filipino	0.0066%
Common	Ma. Teresa R. Famy	(indirect) 22,000	Filipino	0.0012%
Common	Rowena P. Libunao	0	Filipino	0.00000%
Common	Maphilindo S. Tandoc	0	Filipino	0.00000%
<b>Other Executive Officers</b>				
Common	Solomon M. Hermosura	0	Filipino	0.0000%
Common	Amelia Ann T. Alipao	(indirect) 20,000	Filipino	0.0011%
Common	June Vee D. Monteclaro-Navarro	(indirect) 15,000	Filipino	0.0009%
Common	Michael Anthony D. Garcia	0	Filipino	0.0000%
Common	Ma. Florence Therese dG. Martinez-Cruz	(indirect) 1,300	Filipino	0.00001%
<b>All Directors and Officers as a group</b>		<b>3,787,208</b>		<b>0.2151%</b>

<sup>12</sup> Ayala Land, Inc. ("ALI") is the principal stockholder of the Company. To ensure compliance with the minimum public ownership requirement, Ayala Land, Inc. will sell some of its shares on or before the Annual Stockholders Meeting of AREIT, or such other date as Ayala Land, Inc. deems proper, which date shall be before the issuance of shares under the property-for-share swap to be presented to AREIT's stockholders at its Annual Stockholders Meeting on April 26, 2023. The required disclosures will be made at the appropriate time.

<sup>13</sup> Under the By-Laws of ALI and the Revised Corporation Code, the ALI Board has the power to decide how ALI's shares are to be voted.

<sup>14</sup> PCD Nominee Corporation (Filipino) ("PCD") is not related to the Company.

<sup>15</sup> Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote *in absentia* or through the Chairman of the meeting as proxy. 515,812,309 common shares are registered in the name of PCD Nominee Corporation; there's no shareholder owning 5% of the outstanding capital stock.

<sup>16</sup> AyalaLand Offices, Inc. ("ALOI") is a wholly-owned subsidiary of ALI and is an affiliate of AREIT, Inc. with ALI as their common stockholder owning at least 10% of their outstanding capital stock.

<sup>17</sup> Under the By-Laws of ALOI and the Revised Corporation Code, the Board of ALOI has the power to decide how the shares are to be voted.

No director or member of the Company's management owns 2.0% or more of the outstanding capital stock of the Company.

**iii. Voting Trust Holders of 5% or more**

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

**iv. Changes in Control**

No change of control in the Company has occurred since the beginning of its last fiscal year.

**(e) Foreign ownership level as of February 28, 2023:**

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	1,761,047,193	82,852,091	4.70%

**Item 5. Directors and Executive Officers**

Article III, Section 2 of the By-Laws provides in part:

*"Section 2. Number and Term of Office. The Board of Directors shall have eight (8) members who shall be elected by the stockholders entitled to vote at the annual stockholders' meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with these By-laws. (and as further amended in a meeting of the Board of Directors on October 22, 2020 and later ratified on June 4, 2021, pursuant to the delegation by the stockholders to the Board of Directors of the power to amend the By-Laws on 23 April 2021.)" xxx*

The record of attendance of the directors at the meetings of the Board of Directors (the "Board") held in 2022 is as follows:

Directors	No. of Meetings Attended/Held <sup>18</sup>	Percent Present
Jose Emmanuel H. Jalandoni	8/8	100%
Bernard Vincent O. Dy	7/8	87.5%
Carol T. Mills	8/8	100%
Augusto D. Bengzon	8/8	100%
Omar T. Cruz	8/8	100%
Enrico S. Cruz	8/8	100%
Mariana Zobel de Ayala	7/8	87.5%
Jessie D. Cabaluna	8/8	100%

All the non-executive directors were present during their meeting on November 14, 2022.

The Management Committee members and other officers, unless removed by the Board, shall serve as such until their successors are elected or appointed.

**(a) Information required of Directors and Executive Officers**

**i. Directors and Executive Officers**

The following persons, who constitute the final list of candidates, presented and approved by the Corporate Governance and Nomination Committee (composed of Jessie D. Cabaluna, Chairman, Omar T. Cruz, Enrico S. Cruz, members), have been nominated to the Board for the ensuing year and have accepted their nomination:

<sup>18</sup> In 2022 and during the incumbency of the directors

Bernard Vincent O. Dy  
Carol T. Mills  
Augusto D. Bengzon  
Mariana Zobel de Ayala  
Anna Ma. Margarita B. Dy  
Omar T. Cruz  
Enrico S. Cruz  
Sherisa P. Nuesa

The nominees were formally nominated by a shareholder of the Company, Ms. Isabel Diane C. Soto, who owns 8,500 common shares or 0.000583% of the total voting shares of the Company and who is not related to any of the nominees for independent directors. Messrs. Omar T. Cruz and Enrico S. Cruz, and Ms. Sherisa P. Nuesa are nominated as independent directors. Except for Mses. Sherisa P. Nuesa and Anna Ma. Margarita B. Dy, all other nominees are incumbent directors of the Company. The Corporate Governance and Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and the By-Laws of the Company.

Only nominees whose names appear in the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

Ms. Sherisa P. Nuesa is being nominated as an independent director of the Company for the first time. Likewise, Ms. Anna Ma. Margarita Bautista Dy is being nominated as a non-executive director of the Company for the first time. Messrs. Omar T. Cruz, Enrico S. Cruz, and Augusto D. Bengzon, and Ms. Mariana Zobel de Ayala served as directors of the Company for more than one (1) year; Mr. Bernard Vincent O. Dy and Ms. Carol T. Mills have served for more than five (5) years.

A summary of the qualifications of the incumbent directors, nominees for directors for election at the annual stockholders' meeting and incumbent officers is set forth in Annex "B". The certifications on the qualifications of independent directors are attached hereto as Annex "B-1."

The officers of the Company are elected annually by the Board during its organizational meeting.

**ii. Significant employees**

The Company currently does not have employees. Its entire workforce, including its officers are seconded from Ayala Land, Inc., or its subsidiaries. Nevertheless, the entire workforce is considered significant, and is expected to work together to achieve the Company's goals and objectives.

**iii. Family Relationships**

There are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive officers, and shareholders.

**iv. Involvement in Certain Legal Proceedings**

None of the directors or executive officers is involved in any material pending legal proceedings in any court or administrative agency.

As of December 31, 2022, the Company is not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

**(b) Certain Relationships and Related Transactions**

The Company, in its regular conduct of business, has entered into transactions with related

parties consisting of lease of office spaces, advances, supply agreements, management, marketing and leasing, and administrative service agreements. These are based on terms agreed by the parties and made on an arm's length basis.

All related party transactions of the Company have to be approved by a majority of the entire membership of the Board of Directors, including the unanimous vote of all independent directors of the REIT. All related party transactions of the Company to date have been approved by the Risk Management and Related Party Transactions Review Committee of the Company.

The table below sets out the principal ongoing transactions of the Company with and the fees paid to related parties as of December 31, 2022:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One, Ayala North Exchange, McKinley Exchange Corporate Center, 30 <sup>th</sup> Corporate Center, Vertis Towers 1 to 3, eBloc Towers 1 to 4, and ACC Tower	Varying depending on supply charges computation and adjustments; for year ended December 31, 2022 electricity expense incurred amounted to ₱390.40 million (see Note 20 Audited FS) and ₱130.06 million for year ended December 31, 2021 (see Note 20 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management	Management fee recognized amounted to ₱32.66 million and ₱28.18 million for year ended December 31, 2022 and 2021 (see Note 20 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078.00 per month, subject to annual escalation of 5%. In 2022, the Company paid ₱34.44 million (see Notes 18 and 20 of Audited FS).
Ayala Land, Inc.	Land lease agreements for Solaris, Teleperformance Cebu, Vertis Offices and Mall, Bacolod Ayala Northpoint, eBloc Towers 1 to 4, ACC Tower and Tech Tower properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱156.09 million and ₱65.72 million in 2022 and 2021 (see Note 18 and 20 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	The Company recognized management fee expense amounting to ₱198.52 million in 2022 and ₱135.33 million 2021 (see Note 20 of Audited FS), computed based on 0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of management fees and after deducting interest expense from lease liabilities for the relevant period.
		Additional fees, if applicable: 1% of the acquisition price for every acquisition made.
		No acquisition fees were paid in 2022.
		0.50% of the sales price for every property divested.

Related Parties	Nature of Transaction	Value of the Transaction
		No divestment happened in 2022.
		The total fees paid to AREIT Fund Manager is within the limit provided under the Revised REIT IRR and does not exceed one percent (1%) of the Net Asset Value of the assets under its management.
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	The Company recognized management fee expense amounting to ₱166.90 million for year 2022 and ₱103.78 million in 2021 (see Note 20 of Audited FS), computed based on 3% of Gross Rental Income plus Interest Income from finance lease for the relevant period (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company.
		The total fees paid to AREIT Property Manager is within the limit provided under the Revised REIT IRR and does not exceed one percent (1%) of the Net Asset Value of the assets under its management.
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company recognized land lease amounting to ₱75.62 million and ₱74.02 million for year 2022 and 2021 (see Notes 18 and 20 of Audited FS)
Alveo Land Corp.	Contract of Lease dated January 5, 2018 for office space in Solaris One	The Company recognized rental income amounting to ₱5.05 million and ₱4.62 million in 2022 and 2021 (see Note 20 of the Audited FS).
		AREIT, as lessor, did not pay any fees to the lessee.
Makati North Hotel Ventures, Inc.	Contract of Lease dated February 6, 2019 (for 100% of the serviced residences portion of Ayala North Exchange)	Year 1 to 5 - Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot.  Year 6 onwards- Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot plus 5% of Total Hotel Revenues if Total Hotel Revenues exceed ₱500 million or 10% of Total Hotel Revenues if Total Hotel Revenues exceed ₱1 billion.
		The Company recognized interest income from finance lease receivables amounting to ₱149.23 million and ₱151.39 million in 2022 and 2021 (see Notes 18 and 20 of the Audited FS).
		AREIT, as lessor, did not pay any fees to the lessee.

<b>Related Parties</b>	<b>Nature of Transaction</b>	<b>Value of the Transaction</b>
Bank of the Philippine Islands	Contract of Lease dated November 28, 2016 (0.23% of total gross leasable area in Solaris One)	The Company recognized rental income amounting to ₱170.31 million and ₱146.33 million in 2022 and 2021 (see Note 20 of the Audited FS).
	Contract of Lease dated April 30, 2019 (10.5% of total gross leasable area in Ayala North Exchange)	AREIT, as lessor, did not pay any fees to the lessee.
First Gateway Real Estate Corp.	Contract of Lease dated May 29, 2019 for office space in Ayala North Exchange	₱73.50 million, lease for a period of seven (7) years, VAT exclusive; Rental income recognized amounted to ₱11.13 million and ₱10.63 million in 2022 and 2021 (see Note 20 of the Audited FS).
Amaia Land Corp.	Contract of Lease for office space in Alabang FGU	AREIT, as lessor, did not pay any fees to the lessee.
		Rental income recognized amounted to ₱5.26 million and ₱1.22 million in 2022 and 2021 (see Note 20 of the Audited FS).
Amicassa Process Solutions, Inc.	Contract of Lease for office space in Tech Tower (3.75% of total gross leasable area Tech Tower)	AREIT, as lessor, did not pay any fees to the lessee.
		Rental income recognized amounted to ₱0.59 million in 2022.
Cebu District Property Enterprise, Inc.	Loan covered by a Promissory Note	AREIT, as lessor, did not pay any fees to the lessee.
		Total outstanding receivable balance as of December 31, 2022 amounted to ₱0.66 million (see Note 20 of Audited FS).
Arvo Commercial Corporation	Loans covered by Promissory note	AREIT, as lender, did not pay any fees to the borrower.
		Total outstanding receivable balance as of December 31, 2022 amounted to ₱39.20 million (see Note 20 of the Audited FS).
Arca South Commercial Ventures Corp.	Loans covered by Promissory note	AREIT, as lender, did not pay any fees to the borrower.
		Total outstanding receivable balance as of December 31, 2022 amounted to ₱2.25 million (see Note 20 of the Audited FS).
Crans Montana Property Holdings Corporation	Loans covered by Promissory note	AREIT, as lender, did not pay any fees to the borrower.
		Total outstanding receivable balance as of December 31, 2022 amounted to ₱1.25 million (see Note 20 of the Audited FS).
Capitol Central Commercial Ventures Corp.	Loans covered by Promissory note	AREIT, as lender, did not pay any fees to the borrower.
		Total outstanding receivable balance as of December 31, 2022 amounted to

<b>Related Parties</b>	<b>Nature of Transaction</b>	<b>Value of the Transaction</b>
		<p>₱209.19 million (see Note 20 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
ALI Makati Hotel Property Inc.	Loans covered by Promissory note	<p>Total outstanding receivable balance as of December 31, 2022 amounted to ₱1.00 million (see Note 20 of the Audited FS).</p>
Soltea Commercial Corp.	Loans covered by Promissory note	<p>AREIT, as lender, did not pay any fees to the borrower.</p> <p>Total outstanding receivable balance as of December 31, 2022 amounted to ₱0.31 million (see Note 20 of the Audited FS).</p>
Laguna Technopark, Inc.	Loans covered by Promissory note	<p>AREIT, as lender, did not pay any fees to the borrower.</p> <p>Total outstanding receivable balance as of December 31, 2022 amounted to ₱49.26 million (see Note 20 of the Audited FS).</p>
AyalaLand Logistics Holdings Corp.	Loans covered by Promissory note	<p>AREIT, as lender, did not pay any fees to the borrower.</p> <p>Total outstanding receivable balance as of December 31, 2022 amounted to ₱5.69 million (see Note 20 of the Audited FS).</p>
ALI Triangle Hotel Ventures, Inc.	Loans covered by Promissory note	<p>AREIT, as lender, did not pay any fees to the borrower.</p> <p>Total outstanding receivable balance as of December 31, 2022 amounted to ₱2.93 million (see Note 20 of the Audited FS).</p>
Cagayan De Oro Gateway Corporation	Loans covered by Promissory note	<p>AREIT, as lender, did not pay any fees to the borrower.</p> <p>Total outstanding receivable balance as of December 31, 2022 amounted to ₱0.54 million (see Note 20 of the Audited FS).</p>
Cavite Commercial Towncenter, Inc.	Loans covered by Promissory note	<p>AREIT, as lender, did not pay any fees to the borrower.</p> <p>Total outstanding receivable balance as of December 31, 2022 amounted to ₱40.09 million (see Note 20 of the Audited FS).</p>
HLC Development Corporation	Loans covered by Promissory note	<p>AREIT, as lender, did not pay any fees to the borrower.</p> <p>Total outstanding receivable balance as of Dec 31, 2022 amounted to ₱18.07 million (see Note 20 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>



<b>Related Parties</b>	<b>Nature of Transaction</b>	<b>Value of the Transaction</b>
Bay City Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2022 amounted to ₱342.61 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
ALI Commercial Center, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2022 amounted to ₱28.94 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Solinea Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2022 amounted ₱38.02 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Avida Land, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2022 amounted ₱1.05 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
AyalaLand Estates, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2022 amounted ₱65.69 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Circuit Makati Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2022 amounted to ₱0.06 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Airswift Transport, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2022 amounted to ₱19.04 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
AyalaLand Malls Synergies, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2022 amounted to ₱2.46 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Amaia Land Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2022 amounted to ₱3.10 million (see Note 20 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Westview Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2022 amounted to ₱1.96 million (see Note 20 of the Audited FS).

Related Parties	Nature of Transaction	Value of the Transaction
Ayala Property Management Corporation	Loans covered by Promissory note	AREIT, as lender, did not pay any fees to the borrower. Total outstanding receivable as of December 31, 2022 amounted to ₱2.51 million (see Note 20 of the Audited FS).
Econorth Resorts Ventures, Inc.	Loans covered by Promissory note	AREIT, as lender, did not pay any fees to the borrower. December 31, 2022 amounted to ₱0.12 million (see Note 20 of the Audited FS).
Accendo Commercial Corp.	Loans covered by Promissory note	AREIT, as lender, did not pay any fees to the borrower. Total outstanding receivable as of December 31, 2022 amounted to ₱0.58 million (see Note 20 of the Audited FS).
Integrated Micro-Electronics, Inc.	Contract of Lease for Laguna Technopark Lots	AREIT, as lender, did not pay any fees to the borrower. Monthly rent of ₱60.00 per sq. m. starting January 1, 2020, exclusive of VAT, subject to annual escalation of 5% commencing on January 1, 2021.
North Eastern Commercial Corp.	Building Lease for Ayala Malls The 30 <sup>th</sup> and Vertis Mall	In 2022 and 2021, the Company received payment amounting to ₱77.93 million, and ₱74.22 million respectively. Rent shall be the higher amount between the (a) fixed rent as stated in the Contract of Lease plus six percent (6%) of rental income; or (b) Minimum Guaranteed Rent as set forth in the schedule indicated in the Contract of Lease; provided that, such fixed rent and minimum guaranteed rent shall be subject to an escalation rate of 3% every three (3) years.
Ceci Realty, Inc.	Land leases for One and Two Evotech	The Company recognized interest income from finance lease receivables amounting to ₱73.09 million and ₱37.16 million in 2022 and 2021 (see Notes 18 and 20 of the Audited FS).  AREIT, as lessor, did not pay any fees to the lessee. <i>For One Evotech</i> ₱29.43 per sq.m. per month (VAT-exclusive) from June 1, 2021 to September 30, 2027, subject to 5% escalation per annum; and beginning October 1, 2037 until September 30, 2058, monthly rent of ₱170.36 per sq.m. (VAT-exclusive), subject to an escalation of 5% per annum.  <i>For Two Evotech</i> (a) ₱32.45 per sq.m. (VAT-exclusive) from rental commencement date, subject to escalation rate of 5% per

Related Parties	Nature of Transaction	Value of the Transaction
		<p>annum for the first five years of the lease; (b) monthly rent for the succeeding years up to April 12, 2040 will be at 4% of AREIT's Gross Rental Income for the building or fixed land lease rate per sq.m., whichever is higher; (c) from April 13, 2040 to April 12, 2-58, fixed land lease rate of ₱197.10 per sq.m. (VAT-exclusive), subject to an escalation rate of 5% per annum.</p> <p>In 2022, the Company paid rent amounting to ₱11.73 million.</p>

On March 7, 2023, upon the recommendation of AREIT Fund Managers, Inc., the Risk Management and Related Party Transactions Review Committee of the Company, approved and endorsed the subscription of ALI, Ayalaland Malls, Inc. (formerly ALI Commercial Center, Inc.) (ALMI), and Northbeacon Commercial Corporation (NBCC) to an aggregate of 607,559,380 primary common shares of AREIT in exchange for identified key commercial properties valued at Twenty-Two Billion Four Hundred Seventy-Nine Million Six Hundred Ninety-Seven Thousand Sixty Pesos (₱22,479,697,060.00) under a property-for-share swap transaction at an issue price of ₱37.00 per share ("Transaction Price"), set at a 3% premium over the thirty (30)-day volume weighted average price ("30-day VWAP") or the Market Price of ₱35.83, as validated by a third-party fairness opinion. In accordance with the Philippine Stock Exchange's ("PSE") Consolidated Listing and Disclosure Rules, Article V, Section 9, paragraph (a), "Market Price" means the volume weighted average of the closing prices for a period of thirty (30) Trading Days prior to the approval of the transaction. Transaction date refers to the date of approval of the Board of Directors when issue price was set. On even date, the Board of Directors of the Company, by unanimous vote likewise approved the transaction.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AREIT employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

Material related party transactions are reviewed and approved by the Risk Management and Related Party Transactions Review Committee in accordance with the Company's Related Party Transactions Policy.

### **(c) Ownership Structure and Parent Company**

As of February 28, 2023, Ayala Land, Inc., is the majority shareholder and Sponsor of AREIT owning 54.8768% of the total outstanding voting shares of the Company. To ensure compliance with the minimum public ownership requirement, Ayala Land, Inc. will sell some of its shares on or before the Annual Stockholders Meeting of AREIT, or such other date as Ayala Land, Inc. deems proper, which date shall be before the issuance of shares under the property-for-share swap to be presented to AREIT's stockholders at its Annual Stockholders Meeting on April 26, 2023. The required disclosures will be made at the appropriate time.

AyalaLand Offices, Inc. and Westview Commercial Ventures Corp., 100%-owned subsidiaries of ALI, respectively own 5.4679% and 2.1261% of total outstanding voting

shares of the Company as of February 28, 2023 and March 15, 2023. Glensworth Development, Inc., a 100%-owned subsidiary of AyalaLand Offices, Inc. owns 3.5289% of the total outstanding voting shares of the Company as of February 28, 2023 and March 15, 2023.

**(d) Resignation of Directors**

No director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies, and practices.

**Item 6. Compensation of Directors and Executive Officers**

**(a) Executive Compensation**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Other Variable Pay</b>
Carol T. Mills President & CEO			
Ma. Teresa R. Famy Treasurer, CFO, Chief Compliance Officer			
Rowena P. Libunao Chief Audit Executive			
Maphilindo S. Tandoc Chief Risk Officer			
CEO & Most Highly Compensated Executive Officers	Actual 2021	₱9.22	*₱4.05
	Actual 2022	₱10.39	₱2.68
	Projected 2023	₱11.55	₱4.48
All other officers** as a group unnamed	Actual 2021	₱1.04	₱0.45
	Actual 2022	₱4.16	₱0.81
	Projected 2023	₱3.94	₱1.37

\* Exclusive of Stock Option exercise.

\*\* Managers and up.

The executive officers are all seconded from ALI, and they receive no compensation, salary, or per diem from the Company. The amounts stated above cover the compensation of the executive officers of AREIT as secondees from ALI. Other variable pay paid to the officers by ALI covers bonuses. The total annual compensation of the President and top five highly compensated executives amounted to ₱13.27 million in 2021, and ₱14.55 million in 2022. The projected total annual compensation for 2023 is ₱15.49 million.

The total annual compensation paid to all executive officers was all paid in cash.

**(b) Compensation of Directors**

Article III, Section 12 of the By-Laws provides:

“Section 12 – By resolution of the Board of Directors, each director, may receive a reasonable per diem allowance for his attendance to each meeting of the Board of Directors. Any additional compensation, other than per diems, to be given to the members of the Board of Directors shall be subject to approval by

stockholders representing majority of the outstanding capital stock.

A director, except an independent director, shall not be precluded from serving the Corporation in any other capacity such as an officer, agent or otherwise, and from receiving compensation thereof.

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provision of the REIT Act and other applicable laws, rules, and regulations. No director shall be involved in the determination of his own per diem or compensation during his incumbent term."

**i. Standard Arrangement (Current Compensation)**

Other than payment of reasonable per diem of ₱40,000 for the independent directors for every Board meeting and ₱20,000 for every committee meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, directly or indirectly, for any services provided as director.

In 2022, the following independent directors of the Corporation received net compensation, as follows:

<b>Director</b>	<b>Per Diem</b>	<b>Total</b>
Omar T. Cruz	480,000.00	480,000.00
Enrico S. Cruz	480,000.00	480,000.00
Jessie D. Cabaluna	400,000.00	400,000.00

**ii. Other Arrangement**

There are no other arrangements pursuant to which any of the directors of the Company is compensated, directly or indirectly, for any service provided as a director.

**(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

The above-named executive officers are covered by letters of appointment stating their respective job functionalities, among others.

**(d) Warrants and Options Outstanding: Repricing**

There are no outstanding warrants or options in connection with the shares of the Company held by any of the directors or executive officers.

**Item 7. Independent Public Accountants**

- (a) The principal accountant and external auditor of the Company for the ensuring fiscal year, 2023 and recommended for appointment of the stockholders during the annual stockholders meeting is the accounting firm of PwC Isla Lipana & Co. ("Isla Lipana").
- (b) The accounting firm of SyCip Gorres Velayo & Co. (SGV & Co.) acted as the principal accountant of the Company for the most recently completed fiscal year.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Mr. Dolmar C. Montañez was the Partner-in-Charge for the audit years 2016 to 2021. Ms. Maria Antoniette L. Aldea was the Partner-in-Charge for the audit year 2022.

- (c) Representatives of both Isla Lipana for the current year, and SGV & Co. for the most recently completed fiscal year are expected to participate at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Isla Lipana as external auditor for the audit year 2023.

**(d) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of SGV & Co. during the two (2) most recent fiscal years. There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosure.

Following the adoption of the Independent Auditor Tenure policy by ALI, the Company's parent company, the Board of Directors during its meeting on February 24, 2023, approved and endorsed the engagement of Isla Lipana as the Company's independent auditor for 2023, for the approval of the stockholders at the annual stockholders meeting. The Independent Auditor Tenure policy was adopted to align with the 2014 European Union Audit Regulation standard on mandatory audit firm rotation. The policy prescribes that an Independent Auditor shall be replaced after a maximum duration of ten (10) years, extendable to a maximum of twenty-four (24) years, subject to meeting certain conditions.

**(e) Audit and Audit-Related Fees**

AREIT paid its external auditor the following fees in the past two (2) years: (in Php million; inclusive of out-of-pocket expenses and VAT)

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2022	940,800.00	-	60,480.00
2021	806,971.20	-	3,986,640.00

Audit and Audit-related Fees pertain to the audit of the financial statements of the company as of and for the year ending December 31, 2022, inclusive of VAT and out-of-pocket expenses.

**(f) Tax Fees**

In 2022, AREIT engaged Punongbayan & Araullo for tax compliance review services for a total fee of ₱579,600.00, inclusive of out-of-pocket expenses and VAT.

**(g) Other Fees**

For 2022, other fees paid to SGV pertains to service rendered during the annual stockholders meeting. For 2021, other fees paid to SGV is higher than the audit and audit-related fees due to the engagement of SGV as external auditor for AREIT's maiden bond offering last 2021 listed with the Philippine Dealing and Exchange Corp.

Under paragraph 3.3 (a) of the AREIT Audit Committee Charter, the Audit Committee (composed of Enrico S. Cruz, Chairman, Omar T. Cruz and Augusto D. Bengzon, members) recommends to the Board the appointment of the external auditor and the audit fees.

**Item 8. Compensation Plans**

No matters or actions with respect to any compensation plan pursuant to which cash or non-cash compensation may be paid or distributed will be taken up during the meeting

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

## Item 9. Authorization or Issuance of Securities Other than for Exchange

### a. Amount of Securities to be Authorized or Issued

#### i. Increase in Authorized Capital Stock

The authorized capital stock is being proposed to be increased by 1,100,000,000 common shares. An amendment to the Seventh Article of the Company's Articles of Incorporation will be submitted for approval during the annual stockholders' meeting. The said amendment seeks to increase the Company's authorized capital stock from Twenty-Nine Billion Five Hundred Million Pesos (₱29,500,000,000.00) divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) common shares to Forty Billion Five Hundred Million Pesos (₱40,500,000,000.00) divided into Four Billion Fifty Million (4,050,000,000) common shares.

#### ii. Issuance of shares to ALI, ALMI, and NBCC

To be presented for the approval of the stockholders is the issuance of 607,559,380 primary common shares to ALI, and its subsidiaries, ALMI, and NBCC (ALMI and NBCC are hereinafter referred to as "Subsidiaries") in exchange for identified properties owned by ALI and the Subsidiaries, valued at Twenty-Two Billion Four Hundred Seventy-Nine Million Six Hundred Ninety-Seven Thousand Sixty Pesos (₱22,479,697,060.00), independently evaluated and recommended to the Company by AREIT Fund Managers, Inc. ("AFMI") under a property-for-share swap with an issue price of ₱37.00 per share, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83, and as validated by a fairness opinion issued by FTI Consulting Philippines, Inc. ("FTI Consulting"), attached hereto as Annex "E." The properties to be infused have been evaluated by AFMI and have been appraised by the Company's property appraiser, Cuervo Appraisers, Inc. ("Cuervo"). The Valuation Reports issued by Cuervo are collectively attached hereto as Annex "F." In valuing the assets, Cuervo used the unaudited financial statements of the properties as of December 31, 2022 and discounted the forecasted future cashflows at a weighted average cost of capital (WACC) of 9.16%. The issue price of ₱37.00 per share, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83. In accordance with the PSE's Consolidated Listing and Disclosure Rules, Article V, Section 9, paragraph (a), "Market Price" means the volume weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction or the date of the approval of the Board of Directors.

Property	Registered Owner	Fair Market Value (in Php)	Transaction Value (in Php)
Glorietta BPO 1	ALI	3,057,290,000	3,090,625,614
Glorietta BPO 2	ALI	3,234,685,000	3,265,229,909
One Ayala West Tower	ALMI	4,994,063,000	4,955,177,233
One Ayala East Tower	ALMI*	5,682,826,000	5,670,733,294
Glorietta Mall 1 and 2	ALI	3,504,026,000	3,448,776,031
Marquee Mall	NBCC*	2,015,330,000	2,049,154,979
<b>TOTAL</b>		<b>₱22,488,220,000</b>	<b>₱22,479,697,060</b>
*100% owned by ALI			

(collectively referred to as "Properties")

The following primary common shares will be issued to ALI, ALMI, and NBCC, in exchange for the above-described Properties:

Stockholder	Number of Shares
ALI	264,990,042
ALMI	287,186,771
NBCC	55,382,567
<b>TOTAL</b>	<b>607,559,380</b>

(collectively and in the aggregate referred to as the "Shares")

### b. Amount of Securities to be Authorized or Issued



The Company's current authorized capital stock is Twenty-Nine Billion Five Hundred Million Pesos (₱29,500,000,000.00) divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) common shares, with a par value of Ten Pesos (₱10.00) per share. As of December 31, 2022, 1,858,377,163 shares of the Company are issued, 1,761,047,193 shares are outstanding, and 1,576,240,780 shares are listed with the Philippine Stock Exchange. Stockholders of the Company enjoy full dividend and voting rights in accordance with the Revised Corporation Code, pro-rata to their shareholdings. Pursuant to the Seventh Article of the Company's Articles of Incorporation, no stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Company, whether issued from its unissued capital, increase in its authorized capital, or its treasury stock. There are no class of shares which enjoy preferential rights as to voting or dividends.

- c. Nature and approximate amount of consideration received or to be received by the Company and amounts devoted to each purpose:

i. *Increase in Authorized Capital Stock.*

The authorized capital stock is being proposed to be increased by 1,100,000,000 common shares. An amendment to the Seventh Article of the Company's Articles of Incorporation will be submitted for approval during the annual stockholders' meeting. The said amendment seeks to increase the Company's authorized capital stock from Twenty-Nine Billion Five Hundred Million Pesos (₱29,500,000,000.00) divided into Two Billion Nine Hundred Fifty Million (2,950,000,000) common shares, to Forty Billion Five Hundred Million Pesos (₱40,500,000,000.00) divided into Four Billion Fifty Million (4,050,000,000) common shares. Subject to the approval of the shareholders, 607,559,380 common shares out of the 1,100,000,000 common shares subject of the increase is proposed to be issued to ALI, ALMI, and NBCC, in exchange for identified properties owned by ALI, ALMI, and NBCC, valued at Twenty-Two Billion Four Hundred Seventy-Nine Million Six Hundred Ninety-Seven Thousand Sixty Pesos (₱22,479,697,060.00), under a property-for-share swap with an issue price of ₱37.00 per share, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83, and as validated by a fairness opinion issued by FTI Consulting. The rest of the common shares subject of the increase will be used for future acquisitions and allowable investments in accordance with Republic Act No. 9856, otherwise known as the Real Estate Investment Trust Act of 2009, and its implementing rules and regulations (REIT Law).

The increase in authorized capital stock of AREIT was approved by the Board of Directors on February 24, 2023, while the subscription of ALI, ALMI, and NBCC to AREIT's common shares in exchange of identified commercial properties through a property-for-share swap was approved by the Board of Directors on March 7, 2023.

ii. *Issuance of shares to ALI, ALMI, and NBCC.*

To be presented for the approval of the stockholders is the issuance of 607,559,380 primary common shares to ALI, ALMI, and NBCC, in exchange for identified properties owned by ALI, ALMI, and NBCC, valued at Twenty-Two Billion Four Hundred Seventy-Nine Million Six Hundred Ninety-Seven Thousand Sixty Pesos (₱22,479,697,060.00), independently evaluated and recommended to the Company by AFMI, under a property-for-share swap with an issue price of ₱37.00 per share, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83, and as validated by a fairness opinion issued by FTI Consulting. The properties to be infused have been evaluated by AFMI, and have been appraised by the Company's property appraiser, Cuervo. The shares will be transferred to ALI, ALMI, and NBCC upon approval of the stockholders of the Company, and upon compliance with all regulatory approvals.

As the first Philippine Real Estate Investment Trust (REIT) which successfully listed amidst the COVID-19 pandemic, and true to its commitment to diversify and expand its portfolio while maintaining premium pricing through constant, accretive asset infusions, AREIT aspires to further grow its asset base with prime and stable assets. The planned property-for-share swap will further increase AREIT's portfolio from 673 thousand square meters to 863 thousand square meters of gross leasable area; grow its assets under management from ₱64 Billion to ₱87 Billion; diversify its asset base with infusion of ALI's flagship offices and malls; and at the Transaction Price of ₱37.00 per share, the assets to be infused are yield accretive to AREIT at a capitalization rate of 6.625%. At 6.625% capitalization rate, the Properties were valued based on a stable level of operating income and the expected yield of the property after considering a long-term sustainable

growth of 3%. AREIT's 2022 yield from its existing assets is approximately 5.7% based on prevailing market price. Overall yield will increase to approximately 6.2% after the new assets are infused. Estimated yields and total shareholder return are subject to actual operating performance and market conditions.

This matter was approved by the Board of Directors of AREIT on March 7, 2023.

The Properties to be infused by ALI, ALMI, and NBCC, and the corresponding primary common shares that will be issued to the said entities by virtue of the property-for-share swap are as follows:

#### Properties Subject of Property-for-Share Swap

Property	Registered Owner	Fair Market Value (in Php)	Transaction Value (in Php)
Glorietta BPO 1	ALI	3,057,290,000	3,090,625,614
Glorietta BPO 2	ALI	3,234,685,000	3,265,229,909
One Ayala West Tower	ALMI	4,994,063,000	4,955,177,233
One Ayala East Tower	ALMI*	5,682,826,000	5,670,733,294
Glorietta Mall 1 and 2	ALI	3,504,026,000	3,448,776,031
Marquee Mall	NBCC*	2,015,330,000	2,049,154,979
<b>TOTAL</b>		<b>₱22,488,220,000</b>	<b>₱22,479,697,060</b>
<i>*100% owned by ALI</i>			

#### Breakdown of Shares to be Issued to ALI, ALMI, and NBCC

Stockholder	Number of Shares
ALI	264,990,042
ALMI	287,186,771
NBCC	55,382,567
<b>TOTAL</b>	<b>607,559,380</b>

The Properties will be used as ALI's, ALMI's, and NBCC's payment for the shares. The transaction will be implemented as a property-for-share swap, subject to the fairness opinion on the valuation of the Shares and of the Properties prepared and issued by FTI Consulting, and independent fairness opinion provider accredited by both the SEC and the PSE. The Properties to be infused have been evaluated by AFMI and have been appraised by the Company's property appraiser, Cuervo.

The range of fair values indicated in the fairness opinion issued by FTI Consulting are as follows:

#### Exhibit 1. Valuation Summary – Properties

Properties	Low Estimate	High Estimate
<i>In PHP millions</i>		
Glorietta BPO Tower 1	2,872.00	3,748.00
Glorietta BPO Tower 2	3,061.00	3,944.00
One Ayala – West Tower	4,542.00	5,645.00
One Ayala – East Tower	5,654.00	7,520.00
Marquee Mall	1,252.00	2,238.00
Glorietta 1 and 2 Mall	2,853.00	3,739.00
<b>TOTAL RANGE OF MARKET VALUES</b>	<b>20,234.00</b>	<b>26,834.00</b>

Sources: FTI Consulting Analysis

Exhibit 2. Valuation Summary – AREIT, Inc.

Method	Equity Value		Value per Share <sup>1</sup>	
	Low Est.	High Est.	Low Est.	High Est.
In PHP millions except for the per share values				
Discounted Cash Flows Method	62,461.62	70,952.37	35.47	40.29
Cross-checks:				
Volume Weighted Average Price Method	58,418.61	74,014.27	33.17	42.03
Comparable Public Companies Method				
Price-to-NTM EPS	58,057.95	64,368.70	32.97	36.55
Enterprise Value-to-NTM EBIT	53,267.54	61,380.36	30.25	34.85
Enterprise Value-to-NTM EBITDA	52,529.63	57,739.25	29.83	32.79
<b>RANGE OF MARKET VALUES</b>	<b>62,461.62</b>	<b>70,952.37</b>	<b>35.47</b>	<b>40.29</b>

<sup>1</sup>Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

\*NTM = next twelve months

The matter was approved by the Risk Management and Related Party Transactions Review Committee of AREIT (composed of Omar T. Cruz, as Chairman, Enrico S. Cruz and Jessie D. Cabaluna, as members) and ratified by the Board of Directors of the Company by unanimous vote both on March 7, 2023.

The Company will apply for the listing of the new shares issued to ALI, ALMI, and NBCC upon approval of all regulatory agencies, and the relevant exchange. The issuance of shares will be submitted for approval of the stockholders. A copy of the Comprehensive Corporate Disclosure is available in the Company's website [areit.com.ph](http://areit.com.ph)

The Company will pay the following approximate fees in connection with the proposed property-for-share swap:

Nature of Fees		Amounts in (Php)
(1)	Original Issuance of Shares out of the ACS	
a.	SEC	
	• Filing Fee	44,959,394
	• Legal Research Fee	449,594
	• Amendments to Articles of Incorporation	1,000
b.	BIR	
	• DST on Original Issuance of Shares	60,755,938
(2)	Listing of Shares (PSE)	
	• Processing Fee	50,000
	• Additional Listing Fee for Shares-for-Property Swap	22,479,697.06
(3)	Property Transfer (Local Government Units)	
	• Local Transfer Tax	137,951,915
	• Registration Fees	56,199,243

The issuance of shares in favor of ALI, ALMI, and NBCC, will have the effect of diluting the ownership interest of the existing stockholders of the Company to the extent of such shares, and such existing stockholders will have no pre-emptive rights on such shares.

iii. Valuation.

FTI Consulting was engaged by the Company for the issuance of the independent fairness opinion and valuation for the property-for-share swap. FTI Consulting was selected for their competency, experience, and ability to deliver on tight timeline. They have a long track record of providing professional services in the Philippines and is a market-leading global consulting firm that offers a comprehensive suite of services, including services for mergers and acquisitions, project finance advisory, valuation and purchase price allocation, and financial model preparation and review, among others.

The Company and all parties to the property-for-share swap have no special instruction or imposed no limitation to FTI Consulting that will compromise the independence of the latter and will invalidate the fairness opinion.

FTI Consulting used the Discounted Cashflows (“DCF”) Approach as the primary method to estimate the fair value of the Company’s shares and the Properties. Under the DCF approach, FTI Consulting discounted the cashflows of the Company and the Properties based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model. The Volume Weighted Average Price Method and the Comparable Public Companies Method were used as secondary methods to cross-check the value of AREIT shares. The Direct Capitalization Approach was used to cross-check the value of the Properties.

**Item 10. Modification or Exchange of Securities**

The Company will not be presenting any matter or act involving the modification of any class of the Company’s securities or the issuance or authorization for issuance of one class of the Company’s securities in exchange for outstanding securities of another class during the meeting.

**Item 11. Financial and Other Information**

The audited financial statements as of December 31, 2022, Management’s Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company’s financial information are attached hereto as Annex “C.” The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no proposed merger, consolidation, acquisition by sale, or liquidation of the Company that will be presented during the meeting.

**Item 13. Acquisition or Disposition of Property**

*Background of the Transaction*

The acquisition of property owned by ALI and the Subsidiaries, ALMI and NBCC valued at Twenty-Two Billion Four Hundred Seventy-Nine Million Six Hundred Ninety-Seven Thousand Sixty Pesos (₱22,479,697,060.00), in exchange for the issuance of 607,559,380 primary common shares to ALI, ALMI and NBCC, via a property-for-share swap, will be presented to the stockholders for approval. AFMI has recommended the acquisition of the Properties after independent evaluation of the assets, based on the Properties’ background, track record, and available third-party appraisal and valuation reports, and in accordance with the Company’s investment policy.

The Company, ALI, and the Subsidiaries, ALMI and NBCC will execute a property-for-share swap transaction whereby the Company will issue the Shares to ALI, ALMI, and NBCC (as illustrated in the table below) in exchange for the following identified properties valued at ₱22,479,697,060.00, with an issue price of ₱37.00 per share, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83, and as validated by a fairness opinion issued by FTI Consulting:

**Properties Subject of Property-for-Share Swap**

<b>Property</b>	<b>Registered Owner</b>	<b>Fair Market Value (in Php)</b>	<b>Transaction Value (in Php)</b>
Glorietta BPO 1	ALI	3,057,290,000	3,090,625,614
Glorietta BPO 2	ALI	3,234,685,000	3,265,229,909
One Ayala West Tower	ALMI	4,994,063,000	4,955,177,233
One Ayala East Tower	ALMI*	5,682,826,000	5,670,733,294
Glorietta Mall 1 and 2	ALI	3,504,026,000	3,448,776,031
Marquee Mall	NBCC*	2,015,330,000	2,049,154,979
<b>TOTAL</b>		<b>₱22,488,220,000</b>	<b>₱22,479,697,060</b>
<i>*100% owned by ALI</i>			

An overview of the Properties are as follows:

	<b>Glorietta BPO 1</b>	<b>Glorietta BPO 2</b>	<b>One Ayala West Tower</b>	<b>One Ayala East Tower</b>	<b>Glorietta 1 &amp; 2 Mall</b>	<b>Marquee Mall</b>
<b>Year Completed</b>	2016	2016	2021	2022	2012	2009
<b>Description</b>	Grade A commercial building, PEZA-accredited	Grade A commercial building, PEZA-accredited	Grade A commercial building, PEZA-accredited	Grade A commercial building, PEZA-accredited	Regional Mall	Regional Mall
<b>Location</b>	Ayala Center Makati	Ayala Center Makati	Ayala Center Makati	Ayala Center Makati	Ayala Center Makati	Angeles City, Pampanga
<b>Building Owner</b>	ALI	ALI	ALMI	ALMI	ALI	NBCC
<b>GLA (sq. m)</b>	18,770	23,492	30,999	39,996	36,080	40,544
<b>Overall Occupancy</b>	98%	98%	98%	98%	100%	100%
<b>Right over Land</b>	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold
<b>Landowner</b>	ALI	ALI	ALI	ALI	ALI	NBCC
<i>*with committed lease since 2018</i>						

#### **Breakdown of Shares to be Issued to Ayala Land, Inc.**

<b>Stockholder</b>	<b>Number of Shares</b>
ALI	264,990,042
ALMI	287,186,771
NBCC	55,382,567
<b>TOTAL</b>	<b>607,559,380</b>

The Properties will be used as ALI's, ALMI's, and NBCC's payment for the shares. The transaction will be implemented as a property-for-share swap ("Transaction"), subject to the fairness opinion on the valuation of the Shares and of the Properties prepared and issued by FTI Consulting, and independent fairness opinion provider accredited by both the SEC and the PSE. The Properties to be infused have been evaluated by AFMI and have been appraised by the Company's property appraiser, Cuervo.

The infusion of the Properties into the Company through the Transaction is in line with the objective of both the Company, and its Sponsor, ALI, to grow the asset base of the Company through the infusion of several high-quality assets. From the outset, it is the objective of both the Company and ALI to grow the Company's portfolio to maximize the value accretion of AREIT's shareholders including its minority retail investors.

Subject to the approval of the stockholders on the Company's annual stockholders meeting on April 26, 2023, 607,559,380 primary common shares will be issued to ALI, ALMI, and NBCC in exchange for the Properties, valued at ₱22,479,697,060.00, under a property-for-share swap with an issue price of ₱37.00 per share, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83, and as validated by a fairness opinion issued by FTI Consulting.

The Company will apply for the additional listing of the shares resulting from the original issuance of shares in favor of ALI, ALMI, and NBCC. The final Transaction Price is set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83. In accordance with the PSE's Consolidated Listing and Disclosure Rules, Article V, Section 9, paragraph (a), "Market Price" means the volume weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction or the date of the approval of the Board of Directors. As such, the Transaction falls within the Exceptions to the conduct of a rights or public offering requirement of the Additional Listing Rules of the PSE, thus:

#### **"ARTICLE V ADDITIONAL LISTING OF SECURITIES**

PART A  
GENERAL

XXX

SECTION 9. Exceptions to the Rule – The Exchange shall grant an exception to the rights or public offering requirement in the following cases:

- (a) The transaction price for the shares subscribed is set at a premium over the prevailing market price. Market Price shall mean the weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction;

XXX”

The exchange of the Shares for the Properties will qualify as a tax-free exchange under Section 40(C)(2) of the Tax Code, as amended, which provides that:

(2) Exception. - \* \* \*

No gain or loss shall also be recognized on a corporation or on its stock or securities if such corporation is a party to a reorganization and exchanges property in pursuance to a plan of reorganization solely for stock or securities in another corporation that is a party to the reorganization. A reorganization is defined as: XXX

No gain or loss shall also be recognized if property is transferred to a corporation by a person alone or together with others, not exceeding four (4) persons, in exchange for stock or unit of participation in such a corporation of which as a result of such exchange the transferor or transferors, collectively, gains or maintains control of said corporation: *Provided*, That stocks issued for services shall not be considered as issued in return for property. XXX”

Section 40 (C) (2) of the Tax Code, as amended, has been interpreted by the Supreme Court in the case of Commissioner of Internal Revenue vs. Filinvest Development Corporation (G.R. No. 167689, 9 July 2011), to mean that a tax-free exchange applies when the controlling person gains “further control” or transfers where the exchanger already has control of the corporation at the time of the exchange.

The Company expects to execute the Deed of Exchange and file the application for approval of the original issuance of shares with the SEC within May 2023, and the issuance of Certificates Authorizing Registration (CAR) with the relevant Revenue District Office of the Bureau of Internal Revenue (“BIR”) within the fourth quarter of 2023. The SEC’s approval of the Transaction and the BIR’s issuance of a CAR are expected to be issued within the year. The Company shall likewise apply for the additional listing of shares with the Exchange by the first quarter of 2024. The indicative timetable for implementation of the Transaction is as follows:

**Indicative Timetable for Implementation**

Annual Stockholders’ Meeting	April 26, 2023
Deed of Exchange Execution	May 2023
SEC Approval (Issuance of Shares, and Transaction)	Q2 to Q4 2023
Issuance of CAR	Q1 2024
PSE Listing of Additional Shares	Q2 2024

*Nature and amount of consideration*

The Properties were valued by the Company at ₱22,479,697,060.00 and an issue price of ₱37.00, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83. Both valuations for the Shares and the Properties fall within the range of fair values identified by FTI Consulting, and the Appraisal Reports issued by Cuervo.

The shares will be issued by the Company to ALI, ALMI, and NBCC at an issue price of ₱37.00, set at a 3% premium over the 30-day VWAP or the Market Price of ₱35.83, which is based on AFMI’s

valuation of the shares, and which the Company believes is fair to both the Company, as the issuer and ALI, ALMI, and NBCC, as the subscribers. The issue price of ₱37.00 per share is within the range of fair values based on the fairness opinion issued by FTI Consulting.

Subject to regulatory approvals, including the BIR's CAR issuance allowing the transfer of properties to AREIT as a tax-free exchange under the Tax Code, as amended, and SEC's approval of the Company's increase in authorized capital stock from where the Shares will be issued, and approval of the original issuance of shares to ALI, ALMI, and NBCC, the Transaction will close upon the listing of the Shares with the PSE.

#### *Valuation*

The Discounted Cashflows (DCF) Approach was used as the primary method to estimate the fair value of the AREIT shares and Properties. Under the DCF approach, FTI Consulting discounted the cashflows of the Company and the Properties based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model. The Volume Weighted Average Price Method and the Comparable Public Companies Method were used as secondary methods to cross-check the value of the AREIT shares. The Direct Capitalization Approach was used to cross-check the value of the Properties.

#### *Identities of the Beneficial Owners*

<b>Beneficial Owners/ Subscribers</b>	<b>Nature of Business</b>	<b>Nature of any material relationship with the Issuer and the parties to the transaction, their directors/officers or any of their affiliates</b>
Ayala Land, Inc.	ALI is a public corporation organized under the laws of the Philippines. ALI is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. ALI holds a balanced and complimentary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. ALI has ample experience in the real estate industry in the Philippines, focusing its business on strategic business lines, including property development, commercial leasing, hotels and resorts, and real estate-adjacent services.	<p>ALI is the Sponsor of AREIT, and as of February 28, 2023, directly and indirectly owns 66.1086% of AREIT shares, as follows:</p> <p>ALI – direct ownership of 801,641,623 shares equivalent to 53.13%</p> <p>ALO – indirect ownership of 96,292,435 shares equivalent to 5.47% ALO is 100% owned by ALI</p> <p>WCVC – indirect ownership of 37,443,313 shares equivalent to 2.13% WCVC is 100% owned by ALI</p> <p>GDI – indirect ownership of 62,146,531 shares equivalent to 3.53% GDI is 100% owned by ALO</p> <p>To ensure compliance with the minimum public ownership requirement, Ayala Land, Inc. will sell some of its shares on or before the Annual Stockholders Meeting of AREIT, or such other date</p>



		as Ayala Land, Inc. deems proper, which date shall be before the issuance of shares under the property-for-share swap to be presented to AREIT's stockholders at its Annual Stockholders Meeting on April 26, 2023. The required disclosures will be made at the appropriate time.
Ayalaland Malls, Inc.	ALMI is a real estate corporation and owner of commercial buildings located within Ayala Center Makati. It is the owner of the commercial properties and operates the same. It is the owner of the office buildings, One Ayala East and West Towers.	ALMI is a wholly-owned subsidiary of ALI.
Northbeacon Commercial Corporation	NBCC is a real estate corporation and owner of Marquee Mall in Angeles, Pampanga.	NBCC is a wholly-owned subsidiary of ALI.

*Ownership Structure of the Company Before and After the Transaction*

Stockholder	Current (as of March 15, 2023 <sup>19</sup> ; before property-for-share swap)		Indicative Post-Transaction (after property-for-share swap)	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
ALI	966,408,006	54.88%	1,026,398,048	43.33%
ALO	96,292,435	5.47%	96,292,435	4.07%
GDI	62,146,531	3.53%	37,443,313	1.58%
WCVC	37,443,313	2.13%	62,146,531	2.62%
ALMI	0	0.00%	287,186,771	12.12%
NBCC	0	0.00%	55,382,567	2.34%
Directors/Officers	3,787,208	0.22%	3,787,208	0.16%
Non-ALI/Public	511,386,908	33.89%	799,969,700	33.77%
TOTAL	1,761,047,193	100.00%	2,368,606,573	100%

The Company shall ensure that ALI sells some of its shareholdings in the Company prior to the execution of the property-for-share swap in order to ensure compliance with the minimum public ownership requirements imposed upon the Company. The relevant disclosures on the sale of shareholdings, as well as the Reinvestment Plan for the proceeds received by ALI from the sale of shareholdings will be made in due course. The Transaction and the sale of ALI's shareholdings in the Company will not reduce the public float.

**Item 14. Restatement of Accounts**

The accounting policies adopted are consistent with those of the previous financial year. Please refer to Note 2 of the Company's audited financial statements on the Summary of Significant Accounting Policies.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

- (a) Approval of the Minutes of the 2022 annual and special meetings of stockholders held on April 21, 2022 covering the following matters:

<sup>19</sup> To ensure compliance with the minimum public ownership requirement, Ayala Land, Inc. will sell some of its shares on or before the Annual Stockholders Meeting of AREIT, or such other date as Ayala Land, Inc. deems proper, which date shall be before the issuance of shares under the property-for-share swap to be presented to AREIT's stockholders at its Annual Stockholders Meeting on April 26, 2023. The required disclosures will be made at the appropriate time..

- i. Annual report of officers;
- ii. Ratification of all resolutions adopted by the Board of Directors and the acts of Management beginning April 24, 2021 to April 21, 2022;
- iii. Approval of issuance of common shares in exchange for properties;
- iv. Election of the members of the Board (including the Independent Directors);
- v. Election of the external auditor and fixing of its remuneration; and
- vi. Approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc.

The minutes of the 2022 Annual and Special Stockholders' Meetings were uploaded to the Company's website within five (5) days from the date of the meetings and may be viewed through the following links: <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/769031f22a-1651210610/minutes-of-the-2022-annual-stockholders-meeting-21apr22.pdf> for the Annual Stockholders' Meeting Minutes, and <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/39add7a059-1651210580/minutes-of-the-2022-special-stockholders-meeting-21apr22.pdf> for the Special Stockholders' Meeting Minutes.

The minutes contain the following information:

1. A description of the voting and vote tabulation procedures used in the previous meeting;

#### Annual Stockholders' Meeting

During the previous Annual Stockholders' Meeting, stockholders of record were allowed to vote *in absentia* or by designating the Chairman of the meeting as their proxy. The Secretary certified that there was a quorum for the meeting with stockholders owning 1,075,272,156 shares or 71.26% of the total outstanding shares, present in person or by proxy. The mode of attendance of the stockholders deemed present and their respective percentages of the outstanding shares are set forth below:

Mode of Attendance	Number of Shares Present and Represented	% of Total Outstanding Shares
Appointment of the Chairman as proxy	1,075,210,158	71.2574%
Voting <i>in absentia</i>	58,290	0.0039%
Remote communication	3,708	0.0002%
Total	1,075,272,156	71.2615%

The votes cast as of close of business of April 12, 2022 were tabulated. Those votes are from stockholders owning 1,065,386,558 voting shares representing 99.98% of the total shares represented in the meeting, and 70.61% of the 1,508,910,810 total outstanding shares.

The Secretary explained that the rules of conduct and the voting procedures are set forth in the Definitive Information Statement and in the Explanation of Agenda Items, which formed part of the Notice of the Annual Stockholders' Meeting.

The voting results for matters taken up during the Annual Stockholders' Meeting of the Company last April 23, 2021 is posted in the Company's website at <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/769031f22a-1651210610/minutes-of-the-2022-annual-stockholders-meeting-21apr22.pdf>

#### Special Stockholders' Meeting

During the Special Stockholders' Meeting of the Company held last April 21, 2022, stockholders of record were allowed to vote *in absentia* or by designating the Chairman of the meeting as their proxy. The Secretary certified that there was a quorum for the meeting with stockholders owning 1,083,769,105 shares representing at least a majority of the total outstanding shares and the Secretary also noted that at least 84,073,495 shares held by the

minority stockholders are represented in the meeting. The mode of attendance of the stockholders deemed present and their respective percentages of the outstanding shares are set forth below:

Mode of Attendance	Number of Shares Present and Represented	% of Total Outstanding Shares
Appointment of the Chairman as proxy	1,083,755,997	71.8237%
Voting <i>in absentia</i>	9,400	0.0006%
Remote communication	3,708	0.0002%

The votes cast as of close of business of April 12, 2022 were tabulated. Those votes are from stockholders owning 1,083,757,297 voting shares representing 99.98% of the total shares represented in the meeting, and 71.82% of the total outstanding shares.

The Secretary explained that the rules of conduct and the voting procedures are set forth in the Definitive Information Statement and in the Explanation of Agenda Items, which formed part of the Notice of the Special Stockholders' Meeting.

The voting results for matters taken up during the Special Stockholders' Meeting of the Company last April 23, 2021 is posted in the Company's website at <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/39add7a059-1651210580/minutes-of-the-2022-special-stockholders-meeting-21apr22.pdf>

2. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answered given;

#### Annual Stockholders' Meeting

Stockholders who registered under the Voting *in Absentia* and Shareholder (VIASH) System or who notified the Corporation by email to [corporate.secretary@aret.com.ph](mailto:corporate.secretary@aret.com.ph) by April 8, 2022 of their intention to participate in the meeting by remote communication were given the opportunity to send their questions or comments to the same email address. Questions or comments received before 1:30 p.m. of April 21, 2022 were read aloud and addressed during the Question and Answer period.

The record of questions asked and answers given is reflected in the minutes of the meeting accessible at <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/769031f22a-1651210610/minutes-of-the-2022-annual-stockholders-meeting-21apr22.pdf>

#### Special Stockholders' Meeting

Stockholders who registered under the Voting *in Absentia* and Shareholder (VIASH) System or who notified the Corporation by email to [corporate.secretary@aret.com.ph](mailto:corporate.secretary@aret.com.ph) by April 8, 2021 of their intention to participate in the meeting by remote communication were given the opportunity to send their questions or comments to the same email address. Questions or comments received before 2:15 p.m. of April 21, 2022 were read aloud and addressed during the Question and Answer period.

The record of questions asked and answers given is reflected in the minutes of the meeting accessible at <https://www.aret.com.ph/media/pages/company-disclosures/minutes-of-all-general-and-special-stockholders-meetings/769031f22a-1651210610/minutes-of-the-2022-annual-stockholders-meeting-21apr22.pdf>

3. The matters discussed, resolutions reached, and voting tabulation for each matter;

The following matters were discussed and resolutions reached, with the corresponding voting tabulations, during the:

## Annual Stockholders' Meeting

- a. Approval of the Minutes of the 2021 Annual Stockholders' Meeting

### Resolution No. S-01-2022

**RESOLVED**, to approve the minutes of the Annual Stockholders' Meeting held on April 23, 2021.

	For	Against	Abstain
Number of Voted Shares	1,075,268,448	-	-
% of Shares of Stockholders Represented	100%	-	-

- b. Annual Report

### Resolution No. S-02-2022

**RESOLVED**, to note the Corporation's Annual Report, which consists of the Message from the Chairman and the President, and the audio-visual presentation to the stockholders, and to approve the audited financial statements of the Corporation as of December 31, 2021, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.

	For	Against	Abstain
Number of Voted Shares	1,075,268,448	-	-
% of Shares of Stockholders Represented	100%	-	-

- c. Ratification of all Acts and Resolutions of the Board of Directors and Officers

### Resolution No. S-03-2022

**RESOLVED**, to ratify each and every act and resolution, from April 23, 2021 to April 21, 2022 (the "Period"), of the Board of Directors (the "Board"), the Executive Committee and other Board committees exercising powers delegated by the Board, and each and every act, during the Period, of the officers of the Corporation performed pursuant to the resolutions of the Board, the Executive Committee, and other Board committees as well as pursuant to the By-laws of the Corporation.

	For	Against	Abstain
Number of Voted Shares	1,075,260,748	-	7,700
% of Shares of Stockholders Represented	99.9989%	-	0.0007%

- d. Approval of the issuance of common shares in exchange for properties

### Resolution No. S-04-2022

**RESOLVED**, to approve the issuance of 252,136,383 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc. valued at Eleven Billion Two Hundred Fifty-Seven Million Eight Hundred Eight-Nine Thousand Five Hundred Thirty-Five and 91/100 Pesos (Php11,257,889,535.91), under a property-for-share swap.

	For	Against	Abstain
Number of Voted Shares	1,075,266,948	-	1,500

% of Shares of Stockholders Represented	71.2611%	-	0.0001%
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e. Election of Directors

**Resolution No. S-05-2022**

**RESOLVED**, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

1. Jose Emmanuel H. Jalandoni
2. Bernard Vincent O. Dy
3. Augusto D. Bengzon
4. Carol T. Mills
5. Mariana Zobel de Ayala
6. Omar T. Cruz (*Independent Director*)
7. Enrico S. Cruz (*Independent Director*)
8. Jessie D. Cabaluna (*Independent Director*)

Director	For	Against	Abstain
1. Jose Emmanuel H. Jalandoni	1,074,863,518	359,840	-
2. Bernard Vincent O. Dy	1,074,863,518	359,840	-
3. Carol T. Mills	1,075,223,358	-	-
4. Augusto D. Bengzon	1,069,632,528	5,950,830	-
5. Mariana Zobel de Ayala	1,075,223,358	-	-
6. Omar T. Cruz	1,075,223,358	-	-
7. Enrico S. Cruz	1,074,863,758	359,840	-
8. Jessie D. Cabaluna	1,075,079,158	144,440	-

f. Election of External Auditor and Fixing of its Remuneration

**Resolution No. S-06-2022**

**RESOLVED**, as endorsed by the Board of Directors, to approve the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the year 2022 for an audit fee of Eight Hundred Thousand Pesos (Php800,000.00), exclusive of value-added tax and out of pocket expenses.

	For	Against	Abstain
Number of Voted Shares	1,075,266,948	-	1,500
% of Shares of Stockholders Represented	71.2611%	-	0.0001%

Special Stockholders' Meeting

- g. Approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc.

**Resolution No. S-07-2022**

**RESOLVED**, to approve the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc. as part of the requirements of the Philippine Stock Exchange for the listing of additional shares (Article V, Part A, Section 5 of the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange).

The approval for the resolution requires the majority vote representing the outstanding shares of the minority stockholders present and represented in the meeting, voting in favor of the resolution. The minority stockholders of the Corporation are all the stockholders of record minus the Sponsor, Ayala Land, Inc., and its subsidiaries, and

its directors and officers.

	For	Against	Abstain
Number of Voted Shares	64,118,175	19,951,620	-
% of Shares of Stockholders Represented	76.26%	23.73%	-

4. A list of the directors, officers and the percentage of outstanding and voting shares of stockholders who attended and participated in the meeting.

The following directors and officers were present during the Annual and Special Stockholders' Meetings of the Corporation last April 21, 2022:

Directors:

Jose Emmanuel H. Jalandoni	<i>Chairman of the Board Chairman, Executive Committee</i>
Carol T. Mills	<i>President and Chief Executive Officer Member, Executive Committee Member, Sustainability Committee</i>
Augusto D. Bengzon	<i>Member, Audit Committee</i>
Omar T. Cruz	<i>Lead Independent Director Member, Executive Committee Chairman, Risk Management and Related Party Transactions Review Committee Member, Audit Committee Member, Personnel and Compensation Committee Member, Corporate Governance and Nomination Committee</i>
Enrico S. Cruz	<i>Independent Director Chairman, Audit Committee Member, Risk Management and Related Party Transactions Review Committee Member, Personnel and Compensation Committee Member, Corporate Governance and Nomination Committee</i>
Jessie D. Cabaluna	<i>Independent Director Chairman, Personnel and Compensation Committee Chairman, Corporate Governance and Nomination Committee Chairman, Sustainability Committee Member, Risk Management and Related Party Transactions Review Committee</i>
Bernard Vincent O. Dy Mariana Beatriz Zobel de Ayala	

Officers:

Ma. Teresa R. Famy	<i>Treasurer Chief Finance Officer Chief Compliance Officer</i>
Solomon M. Hermosura	<i>Corporate Secretary</i>
June Vee D. Monteclaro-Navarro	<i>Assistant Corporate Secretary</i>

The percentage of outstanding and voting shares of stockholders who attended and participated in the meeting are as follows:

Annual Stockholders' Meeting

Total Number of Shares Present	Total Number of Outstanding Shares	Percentage of Total
1,075,272,156	1,508,910,810	71.26%

Special Stockholders' Meeting

Total Number of Shares Present	Total Number of Outstanding Shares	Percentage of Total
1,083,769,105	1,508,910,810	71.82%

- (b) Approval of the annual report of the Management for the year ending December 31, 2022, including the 2022 audited financial statements.
- (c) Appraisals and performance reports for the board and the criteria and procedure for assessment

The Board undergoes a formal assessment process annually whereby each director completes an evaluation questionnaire that is intended to provide insights on the effectiveness of the Board, its committees, the Chairman, and the directors. The assessment criteria or metrics include board composition; board roles, functions and processes; information management; representation of shareholders; management of the Company's performance; senior executives' talent management and succession planning, dynamics and relationships; and corporate governance practices. The aggregated results are presented to the Board during the meeting immediately following the end of the assessment process. The performance assessment of the Board and the directors will be conducted by an external facilitator every three (3) years.

On February 24, 2023, the external facilitator reported to the Board of Directors the results of the performance assessment conducted for the board and board committees.

- (d) A director compensation report prepared in accordance with the Revised Corporation Code and the rules prescribed by the SEC

The director compensation report of the Company is included in this Definitive Information Statement and will form part of the Company's SEC Form 17-A for 2022.

- (e) Director disclosures on self-dealings and related party transactions

None of the Company's directors have entered into self-dealing and related-party transactions with or involving the Company in 2022.

**Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

**Item 17. Amendment of Charter, By-laws or Other Documents**

The approval of the stockholders will be sought for the following amendments to the Articles of Incorporation of the Company, as approved by our Board of Directors during its regular meeting on February 24, 2023, and special meeting on March 7, 2023, respectively:

- (a) In the Seventh Article of the Articles of Incorporation to increase the authorized capital stock of the Company from ₱29,500,000,000.00 to ₱40,050,000,000.00, in view of the proposed property-for-share swap between the Company and ALI, ALMI, and NBCC.



As proposed to be amended, the Article VII of the Articles of Incorporation will read as follows:

**SEVENTH.** The authorized capital stock of the Corporation is **Forty Billion Five Hundred Million Pesos (P40,500,000,000.00)**, in lawful money of the Philippines, divided into **Four Billion Fifty Million (4,050,000,000)** Common shares with a par value of Ten Pesos (P10.00) per share.

No stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Corporation, whether issued from its unissued capital, increase in its authorized capital, or its treasury stock. *(as amended on December 20, 2006; further amended on May 11, 2008; further amended on July 6, 2015; further amended in a meeting of the Board of Directors and stockholders on September 26, 2018; as further amended by the Board of Directors and stockholders on March 16, 2021 and April 23, 2021, respectively; **and as further amended by the Board of Directors and stockholders on February 24, 2023 and April 26, 2023, respectively**)*

#### Item 18. **Other Proposed Action**

(a) Ratification of the acts of the Board of Directors and officers

The acts of the Board of Directors and officers from April 22, 2022 until April 26, 2023, include –

- Election of officers, appointment of the various Board Committee members and Independent Advisors to the Board, and designation of lead independent director;
- Ratification and confirmation of the actions of the Board Committees;
- Updating of Attorneys-in-Fact for various transactions;
- Declaration of cash dividends;
- Renewal and establishment of short-term credit facilities;
- Approval of transfer of the functions of the Personnel and Compensation Committee to the Corporate Governance and Nomination Committee and consequent dissolution of the Personnel and Compensation Committee;
- Amendment of the Corporate Governance and Nomination Committee Charter and Amendment of the Corporation Governance Manual;
- Offer for sale of BPI -Philam Makati and Alabang office units;
- Appointment of Stock Transfer Agent;
- Appointment of Independent Appraiser;
- Schedule of Annual Stockholders, Board Meeting, Committee Meetings, and Non-Directors' Meetings;
- Delegation to the Corporate Governance and Nomination Committee of the authority to approve the final list of nominees to the Board of Directors; and,
- Matters covered by disclosures to the SEC and PSE.

(b) Election of the members of the Board for the ensuing year, including the independent directors; and

(c) Election of the external auditor and fixing of its remuneration.

#### Item 19. **Voting Procedures**

- (a) **Vote required:** The affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of all matters presented to the stockholders for decision, except for the amendment of the Articles of Incorporation which require the affirmative vote of at least two-thirds of the outstanding capital stock of the company. The election of directors is by plurality of votes.

(b) **Method of Voting:** Straight and Cumulative Voting

In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one (1) vote. As explained in Item 20 below, stockholders will only be allowed to vote by appointing the Chairman of the meeting as proxy or electronically *in absentia*.

In the case of the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate the aforesaid shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

A stockholder may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>,<sup>20</sup> subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this DIS, and shall be received at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to the Corporate Secretary at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 17, 2023.

All votes will be counted and tabulated by the Proxy Validation Committee and the results will be validated by an independent third party.

**Item 20. Participation of Shareholders by Remote Communication**

To ensure the safety and welfare of our stockholders given the current circumstances, the Chairman, by authority delegated by the Board of Directors, during its meeting on November 14, 2022, approved the holding of the meeting in a fully virtual format, including all the necessary and related arrangements thereto. Stockholders may attend the meeting only by remote communication, as set forth below, and by voting *in absentia*, as provided in Item 4(c) and Item 18 above, or voting through the Chairman of the meeting as proxy.

The live webcast of the meeting shall be accessible through the following online web address: <http://www.ayalagroupshareholders.com/> to shareholders who registered in the VIASH System. A Meeting livestreaming access button will be available on the Stockholder's dashboard in the VIASH System on the date set for the Meeting as indicated in the Company's Notice of Meeting. To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the shareholders shall inform the Company by email to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 17, 2023, of their participation in the meeting by remote communication.

Stockholders may email questions or comments prior to or during the meeting at the following email address: [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph). The detailed instructions for participation through remote communication are set forth in Annex "A (II)."

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 27<sup>th</sup> day of March 2023.

AREIT, INC.



SOLOMON M. HERMOSURA  
Corporate Secretary

<sup>20</sup> A stockholder may vote through <http://www.ayalagroupshareholders.com/> for the annual stockholders' meeting of the Company to be held on April 26, 2023.

**ANNEX “A”**  
**2023 ANNUAL STOCKHOLDERS’ MEETING**  
**OF**  
**AREIT, INC.**  
**(THE**  
**“MEETING”)**  
  
**REQUIREMENTS AND PROCEDURE**  
**FOR ELECTRONIC VOTING IN**  
**ABSENTIA AND**  
**PARTICIPATION BY REMOTE COMMUNICATION**

Electronic voting *in absentia* and participation by remote communication shall be allowed only through complete registration and successful validation in the Voting *in Absentia* & Shareholder (VIASH) System.

**I. ELECTRONIC VOTING IN ABSENTIA**

1. Stockholders as of March 24, 2023 (“Stockholders”) have the option of electronic voting *in absentia* on the matters in the Agenda, after complete registration and successful validation in the VIASH System. Stockholders with e-mail addresses on record shall be sent an e-mail with a link to the VIASH System. To register in the VIASH System, Stockholders shall simply follow the instructions sent in the e-mail.
2. Stockholders who have registered in VIASH System for the 2022 annual stockholders meeting may continue using their credentials (username and password) to log-in and need not resubmit recent photo and copy of valid government-issued ID. All the other requirements provided in Item 5 below are still applicable.
3. Otherwise, Stockholders may access the link <http://www.ayalagroupshareholders.com/> to create an account and register in the VIASH System. Stockholders should complete the online registration form and submit for validation together with the requirements provided in Item 5 below. Registration to the VIASH System shall be valid for the Company’s annual stockholders’ meeting to be held on April 26, 2023.
4. All registered accounts shall be subject to the validation process set forth in Item 5 below. The deadline for registration to vote *in absentia* is April 17, 2023. The VIASH System will be open for registration for the annual stockholders’ meeting on **April 5, 2023**.
5. The following are needed for registration:
  - 5.1 For individual Stockholders –
    - 5.1.1 A recent photo of the Stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
    - 5.1.2 A scanned copy of the Stockholder’s valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
    - 5.1.3 A valid and active e-mail address;
    - 5.1.4 A valid and active contact number;
  - 5.2 For Stockholders with joint accounts –

A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;
  - 5.3 For Stockholders under Broker accounts –
    - 5.3.1 A broker’s certification on the Stockholder’s number of shareholdings (in JPG or PDF

- format). The file size should be no larger than 5MB;
- 5.3.2 A recent photo of the stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
- 5.3.3 A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
- 5.3.4 A valid and active e-mail address;
- 5.3.5 A valid and active contact number;
- 5.4 For corporate Stockholders –
  - 5.4.1 A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
  - 5.4.2 A recent photo of the Stockholder's representative, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
  - 5.4.3 A scanned copy of the valid government-issued ID of the Stockholder's representative showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
  - 5.4.4 A valid and active e-mail address of the Stockholder's representative;
  - 5.4.5 A valid and active contact number of the Stockholder's representative.

#### **Important Notes:**

- Stockholders of the Company need only to register one account in the VIASH System in order to participate in the annual stockholders' meeting of the Company to be held on April 26, 2023.
  - Stockholders who, as of record date, are also Stockholders of the other publicly-listed corporations in the Ayala group only need to register one account in the VIASH System and may "Add another company" in their respective profiles, as applicable. The digital absentee ballot for each corporation shall be separately accessed from the Stockholder's Dashboard in the VIASH System and votes shall be cast per corporation
  - Incomplete or inconsistent information may result in an unsuccessful registration. As a result, Stockholders will not be allowed access and to vote electronically *in absentia*, but may still vote through the Chairman of the Board of Directors or his alternates as proxy, by submitting a duly accomplished proxy form, on or before April 17, 2023.
6. The validation process in the VIASH System will be completed by the Company no later than three (3) business days from the date of the Stockholder's complete registration. The Stockholder's Dashboard in the VIASH System will indicate the status of registration.
- Once validated, the Stockholder will receive an e-mail confirmation on their successful registration. Registered Stockholders have until the end of the Meeting to cast their votes *in absentia*.
7. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot in the VIASH System and the registered Stockholder may vote as follows:
- 7.1 For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
  - 7.2 For the Election of Directors, the registered Stockholder may either: (1) vote for all nominees, (2) not vote for any of the nominees, or (3) vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

Once voting on the agenda items is finished, the registered Stockholder can proceed to submit the accomplished ballot by clicking the 'Submit' button.

The VIASH System will prompt the Stockholder to confirm the submission of the ballot. The votes cast *in absentia* will have equal effect as votes cast by proxy.

After the ballot has been submitted, Stockholders may no longer change their votes except by submitting a duly accomplished proxy form within the set deadline.

8. The Proxy Validation Committee will tabulate all votes cast *in absentia* together with the votes cast by proxy, and a firm selected for this purpose will validate the results.

## **II. PARTICIPATION BY REMOTE COMMUNICATION**

1. Stockholders as of March 24, 2023 ("Stockholders") are required to register in the VIASH System to participate by remote communication in the Annual Stockholders' Meeting on April 26, 2023 by remote communication. A Meeting livestreaming access button will be available in the Stockholder's dashboard in the VIASH System on the Meeting date as indicated in the Corporation's Notice of the Meeting.
2. The procedure and requirements for registration in the VIASH System are found in the Electronic Voting *in Absentia* section in this Annex. The deadline for registration to participate by remote communication is on April 17, 2023.
3. In addition to their registration in the VIASH System, Stockholders are requested to notify the Company by e-mail to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 17, 2023 of their intention to participate in the Meetings by remote communication.
4. Only the Stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the Stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum at the Meeting.
5. Stockholders participating by remote communication may vote anytime until the end of the Meeting using the digital ballot in the VIASH System.
6. Stockholders may send their questions and/or remarks prior to or during the Meeting by e-mail to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph).
7. A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting. Stockholders shall have two (2) weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted by e-mail to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph).

For any clarifications, please contact our Office of the Corporate Secretary through [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph).

## ANNEX “B”

### DIRECTORS AND KEY OFFICERS (as of December 31, 2022)

The write-ups below include positions held as of December 31, 2022 and in the past five years, and personal data as of December 31, 2022 of directors and executive officers.

#### Incumbent Board of Directors

Jose Emmanuel H. Jalandoni, Chairman of the Board  
Carol T. Mills, President and Chief Executive Officer  
Bernard Vincent O. Dy  
Augusto D. Bengzon  
Mariana Beatriz Zobel de Ayala  
Omar T. Cruz  
Enrico S. Cruz  
Jessie D. Cabaluna

**Jose Emmanuel H. Jalandoni**, Filipino, 55, has served as the Chairman of the Board of AREIT, Inc. since February 5, 2020. He is a Senior Vice President and a member of the Management Committee, and the Group Head of commercial businesses including offices, hotels, resorts of Ayala Land, Inc. He is Chairman of AyalaLand Logistics Holdings Corp., also a publicly-listed subsidiary of ALI. His other significant positions are: Chairman, President and Chief Executive Officer of Northgate Hotel Ventures, Inc. and Southcrest Hotel Ventures, Inc. He is Chairman of the Board of AyalaLand Malls, Inc. (formerly ALI Commercial Center, Inc.), ALI Makati Hotel and Residences, Inc., ALI Makati Hotel Property, Inc., ALI Triangle Hotel Ventures, Inc., ARCA South Hotel Ventures, Inc., AsiaTown Hotel Ventures, Inc., AyalaLand Hotels and Resorts Corporation, AyalaLand Medical Facilities Leasing, Inc., AyalaLand Offices, Inc., Bacuit Bay Development Corporation, Bay Area Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Company, Inc., Central Bloc Hotel Ventures, Inc., Chirica Resorts Corporation, Circuit Makati Hotel Ventures, Inc., Direct Power Services, Inc., Ecoholdings Company Inc., Econorth Resort Ventures, Inc., Ecosouth Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., Integrated Eco-Resort, Inc., Lio Resort Ventures, Inc., Makati North Hotel Ventures, North Liberty Resort Ventures, Inc., North Triangle Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., One Makati Residential Ventures, Inc., Pangulasian Island Resort Corporation, Paragua Eco-Resort Ventures, Inc., Regent Horizons Conservation Company, Inc., Sentera Hotel Ventures, Inc., Sicogon Island Tourism Estate Corporation, Sicogon Town Hotel, Inc., Estate Corporation, Ten Knots Development Corporation, Ten Knots Philippines, Inc., Whiteknight Holdings, Inc. and One Makati Residential Ventures, Inc. He is also Director of the following companies: ALI Capital Corporation, Anvaya Cove Golf and Sports Club, Inc., Ayagold Retailers, Inc., Ayala Hotels, Inc., Ayala Property Management Corporation, Cagayan de Oro Gateway Corporation, Columbus Holdings, Inc., Fort Bonifacio Development Corporation, Lio Tourism Estate Association, Makati Cornerstone Leasing Corporation, Makati Development Corporation, Philippine FamilyMart CVS, Inc., Philippine Integrated Energy Solutions, Inc., SIAL CVS, Inc., SIAL Specialty Retailing, Inc., AirSWIFT Transport, Inc., DirectPower Services, Inc., AyalaLand Medical Facilities, Inc., WhiteKnight Holdings, Inc., Station Square East Commercial Corporation. He joined ALI in 1996 and held various positions in the Company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University. He earned his Master's Degree in Business Administration from Asian Institute of Management. He is a Chartered Financial Analyst.

**Carol T. Mills**, Filipino, 50, has served as the Company's President since February 10, 2014 and President and Chief Executive Officer since April 4, 2019. She is a Vice President of Ayala Land, Inc. She is also the President of Ayala Land Offices, Inc. She is Chairman and President of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp as well as Director of ALI Capital Corp., DirectPower Services, Inc. and Central Block Developers Inc. She joined ALI in 1993 and prior to her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and



earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

**Bernard Vincent O. Dy**, Filipino, 59, has served as a Director of AREIT, Inc. since April 4, 2019. He is the President and Chief Executive Officer of Ayala Land, Inc. and concurrently serves as a Senior Managing Director and member of the Ayala Group Management Committee of Ayala Corporation. He is also a Director AyalaLand Logistics Holdings Corporation and MCT Bhd of Malaysia. All are publicly-listed companies. Concurrently, he is the Chairman of Alveo Land Corporation, Amaia Land Corporation, Avencosouth Corp., Aviana Development Corp., Ayagold Retailers, Inc., Ayala Property Management Corporation, Bellavita Land Corporation, BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Cagayan De Oro Gateway Corp., Makati Development Corporation, Portico Land Corporation, Station Square East Commercial Corporation, and Vesta Property Holdings, Inc.; Vice Chairman of Alviera Country Club, Inc., Aurora Properties Incorporated, and Ayala Greenfield Development Corporation, and Director of AKL Properties, Inc., ALI Eton Property Development Corporation, Alveo-Federal Land Communities, Inc., Amicassa Process Solutions, Inc., AyalaLand Medical Facilities Leasing, Inc., Nuevocentro, Inc., Philippine Integrated Energy Solutions, Inc., Serendra, Inc., and Whiteknight Holdings, Inc. He is also the President and CEO of Berkshires Holdings, Inc., Bonifacio Land Corporation, Columbus Holdings, Inc., Emerging City Holdings, Inc., and Fort Bonifacio Development Corporation; President of Accendo Commercial Corporation, Alabang Commercial Corporation, Bonifacio Art Foundation, Inc., Ceci Realty Inc., and Hero Foundation Inc.; Member of the Board of Trustees of Ayala Foundation, Inc. and Ayala Group Club, Inc.; and Director of the Junior Golf Foundation of the Philippines since 2010 and Vice Chairman since 2017. He earned a degree of BBA in Accountancy from the University of Notre Dame in 1985, an MBA in 1997, and Masters in International Relations in 1989 from the University of Chicago. He became a member of the University of Chicago's Global Leaders Group in 2020.

**Augusto D. Bengzon**, Filipino, 60, has served as a Director and the Treasurer of AREIT, Inc. since April 4, 2019. He also currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, and Treasurer. He is a Director of ACE Enexor, Inc. and Treasurer of AyalaLand Logistics Holding Corp., publicly-listed companies under the Ayala Group. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc., Anvaya Cove Golf and Sports Club, Inc. and Anvaya Cove Beach and Nature Club, Inc.; Director and Chief Finance Officer of Altaraza Development Corporation; Director and Treasurer of ALI Eton Property Development Corp., Aurora Properties Inc., AyalaLand-Tagle Properties, Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc. and Vesta Property Holdings Inc.; Director of AG Counselors Corporation, Alviera Country Club Inc., Amicassa Process Solutions, Inc., Makati Development Corp., Northgate Hotel Ventures, Inc., Station Square East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Comptroller of Nuevocentro, Inc.; Treasurer and Chief Finance Officer of Portico Land Corp.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc., Alveo Land Corp., Amaia Land Corp., Avida Land Corp., AyalaLand Premier Inc., Ayala Property Management Corporation, Bellavita Land Corp., BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Serendra Inc., The Suites at One Bonifacio High Street Condominium Corp. and Hero Foundation, Inc.; Assistant Treasurer of Ayala Greenfield Golf & Leisure Club, Inc. and Ayala Greenfield Development Corporation; Trustee of Philippine National Police Foundation, Inc. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

**Mariana Beatriz Zobel de Ayala**, Filipino, 34, has been a director of AREIT since October 2021. She is Director of Ayala Land, Inc. She is Senior Vice President at Bank of the Philippine Islands (BPI) driving Marketing and Digital Platforms for the Consumer Bank. She also serves as a board director and/or advisory committee member for several Ayala Group companies, across Ayala Land, AC Health, Ayala Group's ACTIVE Fund and BPI's Asset Management and Trust Company. She was named a board advisor for Asia Partners, a Singapore-based private equity firm with over USD500mn in funding, focused on enabling the next generation of high-growth technology companies in Southeast Asia. She also serves on the global board of U-Go, which looks to drive education equality in emerging markets by providing scholarship grants to women looking to pursue university education. Together with John Wood, founder of Room to Read, Ms. Zobel de Ayala helped establish the Philippines as the 7th beneficiary market for U-Go. In partnership with Ayala Foundation, U-Go Philippines will aim to enable 1,000 young Filipina women scholars in their pursuit of university education, by 2025. Before BPI, Ms. Zobel de Ayala was Deputy Head of Ayala Malls, a subsidiary of Ayala Land responsible for just under two million square meters in leasable retail space around the country. In addition to driving Leasing

Strategy & Development across the malls, Ms. Zobel de Ayala was responsible for the build-out of Ayala Malls Labs / Digital & Data -- a new unit focused on commercializing synergistic opportunities leveraging technology and data. Prior to this, she worked in Project Development for Alveo Land, and as a Corporate Strategy and Business Development Associate with Ayala Corporation, where she supported portfolio review across the conglomerate and business development interest in the healthcare sector. Ms. Zobel de Ayala started her career at J.P. Morgan in New York City. She graduated from Harvard College with a BA in Social Studies (Philosophy, Politics, and Economics), and a received a Masters in Business Administration (MBA) from INSEAD.

**Mr. Omar T. Cruz**, 68, is the Lead Independent Director of our Company. He is also independent director for Toyota Financial Services, Inc., RCBC Capital Corporation, Philippine Regional Investments Enterprises, Inc. and ABACORE Group, Inc. He also serves: as Chairman of the Investment Committee of De La Salle Philippines; as Trustee of the Financial Executives Institute Foundation of the Philippines; as Vice Chairman of the board and Board Executive Committee for the University of Asia and the Pacific; as Vice Chairman of the board and Board Executive Committee for the Center for Research and Communication Foundation, Inc.; as a trustee for the Philippine National Police Foundation. Previously Mr. Cruz has served as: Treasurer of the Republic of the Philippines, Chairman of the International Treasury Committee of the International Association of Financial Executives Institution; as a senior advisor to Prudential Corporation Asia (HK); and as President and CEO of BPIPhilam Life Assurance Corp. and Vice President and bank executive of Citibank, N.A.; Senior Executive Vice President of Insular Life. He has also previous served as a director for numerous entities, including Philamlife Company, BPI Philam Life Assurance Corporation, Ayala-FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philamlife Asset Management, Inc., Tower Club and PHINMA Property Holdings Corporation. Mr. Cruz holds a Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

**Mr. Enrico S. Cruz**, Filipino, 65, has been an independent director of AREIT since February 5, 2020. He is also an Independent Director of Security Bank Corporation, Robinsons Retail Holdings, Inc., The Keepers Holdings, Inc, DITO CME Holdings Inc., Maxicare Healthcare Corporation, CIBI Information Inc, MAXILIFE Insurance Corporation and Vice Chairman of SB Capital Investment Corporation. He was the Chief Country Officer of Deutsche Bank Manila Branch from June 2003 to July 2019, responsible for the operation of Deutsche Bank entities in the Philippines. He was concurrently the bank's Head of Corporate Finance overseeing debt origination, equity capital markets, advisory and corporate/institutional sales activities. He joined Deutsche Bank in July 1995 where he established the Global Markets (GM) franchise in the Philippines. Prior to Deutsche Bank, Eric was Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A. He joined CTBC in 1979 as an Executive Development Program Trainee and worked in various operations departments until he was named Head of Centralized Operations Department. He was then tasked in 1989 to head the Treasury Sales and Trading Group until his move to Deutsche Bank. He previously served as a Director of the Bankers Association of the Philippines (BAP) in 2003-2007, 2011-2015 and 2017-2019 and was a past president of the Money Market Association of the Philippines. He obtained his B.S. in Business Economics and MBA from the University of the Philippines. He was named by the UP College of Business Administration as a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association in 2015.

**Jessie D. Cabaluna**, Filipino, 65, was elected independent director of AREIT, Inc. on December 3, 2021. She was the former Assurance Partner and Head of Market Circle – 1 Bacolod Branch of SyCip Gorres Velayo & Co. (SGV). She is presently an Independent Director for AllHome Corp. and AllDay Marts, Inc. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She has accumulated over twenty years of experience as a partner in the accounting firm, SGV & Co., where she was Partner-in-Charge of the Bacolod Branch. Ms. Cabaluna holds a Bachelor of Science in Commerce (Major in Accounting) from the University of St. La Salle. She has also completed advanced management development programs conducted by the Asian Institute of Management and Harvard Business School.

#### **Nominees to the Board of Directors for election at the stockholders' meeting:**

Except for Msses. Anna Margarita B. Dy and Sherisa P. Nuesa, all the others are incumbent directors.

**Anna Maria Margarita Bautista Dy**, Filipino, 53, is Executive Vice President effective January 1, 2023. She was Senior Vice President from January 1, 2015 until December 31, 2022 and a member of the



Management Committee of Ayala Land, Inc. (ALI) since August 2008. She is the Head of the Residential Business Group of ALI effective July 1, 2022 and Head of the Malls Group effective January 1, 2023. Her other significant positions are: Chairman of Amaia Southern Properties, Inc., Ayalaland Premier, Inc., Ayala Land International Sales, Inc., Avida Land Corp., Bonifacio Estate Services Corporation, and Solinea, Inc. ; Vice Chairman of Alveo-Federal Land Communities Inc.; Director and Executive Vice President of Bonifacio Land Corporation, AKL Properties, Inc., Avencosouth Corp., and Portico Land, Inc.; Director of Accendo Commercial Corp., Alveo Land Corp., ALI Eton Property Development Corporation, Altaraza Development Corporation, Amaia Land, Inc., Amicassa Process Solutions, Inc., Anvaya Cove Golf and Sports Club, Inc., Aurora Properties, Inc., Avida Sales Corp., Ayala Greenfield Development Corporation, Ayala Property Management Corporation, Ayalaland-Tagle Properties, Inc., BGWest Properties, Inc., BGNorth Properties, Inc., Bellavita Land Corp., Berkshires Holdings, Inc., Buklod Bahayan Realty & Development Corporation, Cagayan de Oro Gateway Corp., Columbus Holdings, Inc., Emerging City Holdings, Inc., CECI Realty, Inc., Fort Bonifacio Development Corporation, Nuevocentro, Inc., Serendra, Inc., and Vesta Properties Holdings, Inc.; and, Trustee and Treasurer of Bonifacio Art Foundation, Inc. Prior to joining ALI, she was a Vice President of Benpres Holdings Corporation. She graduated magna cum laude from Ateneo De Manila University with BS of Arts Degree in Economics Honors Program in 1990. She earned her Master's degree in Economics from London School of Economics and Political Science in 1991 and MBA at Harvard Graduate School of Business Administration in Boston in 1996.

**Sherisa P. Nuesa**, Filipino, 68, has been an independent director of Ayala Land, Inc. since April 2020. Currently, she is an Independent Director of other publicly listed companies namely: Manila Water Company, Inc., ACEN CORPORATION (formerly AC Energy Philippines, Inc.), and Integrated MicoElectronics, Inc. (IMI). She is a non-executive Director of Far Eastern University, also a publicly listed company, and of FERN Realty Corporation. She is a Senior Adviser to the Boards of Metro Retail Stores Group, Inc. and Vicsal Development Corporation. She is a member of the boards of trustees of the Justice Reform Initiative (JRI), and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. In the recent past, from 2012 to early 2021, she held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee of the Institute of Corporate Directors (ICD). In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous positions in management operations and is an accredited lecturer of both ICD and the FINEX Academy. She was the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010. She was then a Managing Director of Ayala Corporation and had served in various capacities in Ayala Corporation, Ayala Land, Inc., and Manila Water Company, Inc. She co-led the Initial Public Offering (IPO) teams of Ayala Land, Inc., Cebu Holdings, Inc., Manila Water, and IMI. She was awarded the ING-FINEX CFO of the Year for 2008. She received a Master of Business Administration degree from the Ateneo Graduate School of Business in Manila. She also attended post-graduate courses in Harvard Business School and in Stanford University. She graduated summa cum laude in 1974, with a degree of Bachelor of Science in Commerce from the Far Eastern University, which named her as one of its Outstanding University Alumni. She is a Certified Public Accountant.

#### **Management Committee Members / Key Executive Officers**

Carol T. Mills*	President and Chief Executive Officer
Ma. Teresa R. Famy	Treasurer, Chief Finance Officer and Chief Compliance Officer
Solomon M. Hermosura	Corporate Secretary
June Vee D. Monteclaro-Navarro	Assistant Corporate Secretary
Ma. Florence Therese dG. Martinez-Cruz	Assistant Corporate Secretary
Amelia Ann T. Alipao	Data Protection Officer
Rowena P. Libunao	Chief Audit Executive
Maphilindo S. Tandoc	Chief Risk Officer

*\*Member of the Board of Directors*

**Ma. Teresa R. Famy**, Filipino, 56, is the Treasurer, Chief Finance Officer, and Chief Compliance Officer of the Company. She was appointed as the Chief Finance Officer and Chief Compliance Officer effective July 1, 2021, and as Treasurer of the Company effective August 12, 2021. She has been with the ALI Group for 14 years. Prior to her appointment in the Company, Ms. Famy was the Chief Finance Officer of the AyalaMalls Group, Alveo Land Corp., Ayala Land Premier, and Avida Land Corp. Prior to joining the ALI Group, Ms. Famy assumed various roles in Finance in companies engaged in manufacturing and worked as an Auditor for SyCip Gorres Velayo and Co. She is a Certified Public Accountant and

holds a Bachelor of Science in Commerce degree from Divine Word College, Legazpi City.

**Solomon M. Hermosura**, Filipino, 61, has served as the Corporate Secretary of AREIT, Inc. since April 4, 2019. He is a Senior Managing Director of Ayala Corporation and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee. He is the Group Head of Corporate Governance, Chief Legal Officer, Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the Corporate Secretary and Group General Counsel of Ayala Land, Inc.; Corporate Secretary of Integrated Micro-Electronics, Inc., Globe Telecom, Inc., ACEN Corporation, and Ayala Foundation, Inc., and Corporate Secretary and member of the Boards of Directors of a number of companies in the Ayala Group. He served as Managing Director of Ayala Corporation from 1999 to June 2022. Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

**June Vee D. Monteclaro-Navarro**, Filipino, 51, has served as the Assistant Corporate Secretary of AREIT, Inc. since April 4, 2019. She is a Vice President, Chief Legal Counsel, Chief Compliance Officer, and Assistant Corporate Secretary of ALI. She is also the Corporate Secretary of AyalaLand Logistics Holdings Corp. She is also the Corporate Secretary of Alveo Land Corp., Avida Land Corp., AKL Properties, Inc., and ALI Eton Property Development Corporation. She served as Director (management position) and Corporate Secretary of Ayala Group Legal from 2012 to 2020. She was Legal Officer at Ayala Land, Inc. from 2007 to 2012 and a Senior Associate at SyCip Salazar Hernandez & Gatmaitan prior to that. She graduated from the University of St. La Salle in Bacolod with a Bachelor of Arts Major in Economics and a Bachelor of Science in Commerce Major in Data Processing in 1993. She earned a Bachelor of Laws degree from the University of the Philippines in 1997. She finished the Program on Negotiation at Harvard Law School in 2012 and the Leadership in Corporate Counsel Executive Education at Harvard Law School in 2016.

**Ma. Florence Therese dG. Martinez-Cruz**, Filipino, 37, has served as the Assistant Corporate Secretary of AREIT, Inc. since November 14, 2022. She is the Corporate Secretary of AREIT Fund Managers, Inc., and concurrently the Head of Legal of AREIT, Inc. and AyalaLand Offices, Inc. She is also the Alternate Compliance Officer for Anti-Money Laundering of Ayala Land, Inc., and the lead lawyer for Ayala Land's Commercial Business Group, and Ayala Land Legal's Banking, Finance, Securities, and Special Project group. Prior to joining AyalaLand Offices, Inc. in 2021, she was a Senior Counsel and Counsel for AG Counselors Corporation, from 2019 to 2021, and 2016 to 2019, respectively. Prior to joining the Ayala Land Group, she worked as an Associate at the Leynes Lozada-Marquez Law Offices and as a legal consultant in the Office of Senator Maria Lourdes Binay. She graduated from the University of the Philippines in 2007 with a Bachelor of Arts degree in Public Administration, and obtained her Juris Doctor in 2011 from the same University. She finished the Program on Negotiation and Leadership at Harvard Law School in 2019 and the Certification Course for Compliance Officers by the Center for Global Best Practices in 2022.

**Amelia Ann T. Alipao**, Filipino, 60, has served as the Data Protection Officer of AREIT, Inc. since April 4, 2019. She is also currently Vice President and Chief Information Officer of Ayala Land, Inc. She is also the Group Data Protection Officer for ALI Group of Companies and presently a member of the Data Privacy Council for Real Estate of the National Privacy Commission. She sits on the board of APRISA Business Process Solutions, Inc and HCX Technology Partners Inc. She is also Vice President for Ka-uSAP Inc, a non-profit organization for SAP User Group of the Philippines. She is currently a member of the ALI Corporate Bidding Committee. She previously occupied this role in 2009-2011 and acted as Chairperson. Before joining ALI, she took on dual roles in SAP Philippines as Account Manager, handling government accounts, and project manager for SAP Implementation. She served as Assistant Vice President in Coca-Cola Bottlers Philippines, Inc., where she held various IT systems implementation projects. She started her IT career as an IT Instructor in I/Act of SyCip Gorres Velayo & Co. She holds a Bachelor of Arts in Biology and a Bachelor of Science in Business Management from De La Salle University.

**Rowena P. Libunao**, Filipino, 45, is currently the audit lead for Corporate, Offices, Malls, Hotels and Resorts. She has been with ALI Internal Audit for almost 12 years. Prior to joining Ayala Land, she worked as Internal Auditor for various companies engaged in banking, petroleum and stock exchange. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and a member of the Institute of Internal Auditors Philippines (IIAP). She holds a Bachelor of Science degree in Accountancy

from the Pamantasan ng Lungsod ng Maynila.

**Maphilindo S. Tandoc**, Filipino, 59, is currently Ayala Land's Assistant Vice President and Chief Risk Officer under the office of the Chief Finance Officer. He started his career as a registered mechanical engineer and was first engaged in the contracting industry in 1986 at Koldwinds Systems Inc. (KSI), a company specializing in industrial heating, ventilating, air-conditioning and refrigerating (HVACR) systems where he handled installation, retrofit and maintenance projects. He joined PLDT Co., in 1989 as a Safety Engineer and eventually managed PLDT's Corporate Safety, Security and Environmental Management Divisions. In 2000, he was promoted as corporate Risk Manager, a role he performed up to 2004. From 2004 to 2006, he worked for Asian Terminals, Inc. (ATI), then P&O Ports Australian subsidiary, as Risk and Insurance Management Officer. In March 2006 joined Ayala Land, Inc. (ALI) as the company's Risk Insurance Manager. He was promoted in 2012 to be the Company's Chief Risk Officer (CRO) managing enterprise-wide risk management programs. He functionally reports directly to the company's Board Risk Oversight Committee and administratively reports to the company's Chief Finance Officer. Aside from handling enterprise-wide risk management programs, he is also managing on concurrent basis the company's vast portfolio of insurance programs and is designated as the corporate Safety Officer of the company. He is a DOLE accredited occupational safety and health consultant and was one of the founding members of the Association of Safety Practitioners of the Phils., Inc. (ASPPI) in 1999 where he eventually became the Chairman until he exited in 2008. He is currently a Board Director of the Safety Organization of the Phils., Inc. (SOPHI) and CRO of both ALI and AREIT.

## ANNEX “C”

### I. MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATION

#### Review of FY 2022 operations vs FY 2021

The Company’s net income before net fair value change in investment properties and gain under finance lease increased by 55% from ₱2,219.00 million in 2021 and ₱3,436.524 million in 2022. The increase was mainly due to income from additional properties acquired in 2021 and 2022, as well as rental escalations. The Company’s net income after tax increased by 19% from ₱2,433.27 million in 2021 to ₱2,887.56 million in 2022.

#### **Revenues**

Total revenues increased by 53% from ₱3,316.46 million in 2021 to ₱5,072.85 million in 2022. This was mainly driven by higher rental income and net dues.

*Rental Income* increased by 52% from ₱2,506.91 million in 2021 to ₱3,807.53 million in 2022. The increase was primarily attributable to the addition of Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU, which were added to the Company’s portfolio in October 2021 and Ebloc Towers 1 to 4, ACC Tower and Tech Tower in October 2022.

*Dues* increased by 68% from ₱621.01 million in 2021 to ₱1,042.99 million in 2022. The increase was attributable to the operations of new assets acquired in October 2021 and 2022.

*Interest income from finance lease*, increased by 18% from ₱188.55 million in 2021 and ₱222.32 million in 2022. 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 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

In 2022, the Company recognized a reduction in fair value in investment properties of (₱548.95 million) and an increase of ₱164.50 million in 2021.

#### **Cost and Expenses**

*Direct operating expenses* increased by 67% from ₱815.87 million in 2021 to ₱1,359.80 million in 2022. The increase was primarily attributable to an increase in taxes and licenses of ₱158.50 million, increase in management fee of ₱130.78 million, increase in land lease of ₱93.07 million, increase in repairs and maintenance of ₱82.07 million and increase in outside services of ₱55.12 million. These increases were related to the operations of additional properties acquired in October 2021 and 2022.

*General and administrative expenses* decreased by 23%, from ₱103.40 million to ₱79.49 million mainly due to lower taxes related to loans.

#### **Other Income (charges)**

*Gain under finance lease* amounted to ₱49.76 million in 2021. In January 2021, the Company entered into a long-term building leases agreement with North Eastern Commercial Corp. for the lease of retail podiums in The 30th and Vertis developments. North Eastern Commercial Corp. (NECC) is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. The Company remains to be the legal owner of

the portion of the building under finance lease.

*Interest Income* increased by 376% from ₱7.21 million in 2021 to ₱34.33 million in 2022. The increase was mainly due to the increase in interest income from intercompany loans from ₱6.97 million in 2021 to ₱33.71 million in 2022.

*Interest expense* increased by 25% from ₱169.82 million in 2021 to ₱208.37 million in 2022. Interest expense on loans recognized amounted to ₱98.55 million and ₱58.59 in 2022 and 2021, respectively, interest expense from finance lease amounting to ₱81.83 million and ₱63.01 million in 2022 and 2021, respectively and accretion of security deposit amounting to ₱26.29 million in 2022 and ₱24.87 million in 2021.

*Other charges* amounted to ₱22.88 million in 2022 and ₱15.54 million in 2021, this pertains to amortization of bond issue cost and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

*Other income* amounted to ₱0.10 million in 2021, which pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax*, the Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2022 and 2021, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law. The Company recognized final tax from interest income earned from banks amounting to ₱0.12 million and ₱0.05 million in 2022 and 2021, respectively.

### **Capital Expenditure**

The Company has no material commitments for capital expenditures.

**Property Performance as of December  
31, 2022**

Property	Location	Valuation Date	Valuation cost <sup>2</sup> (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	612	846
Ayala North Exchange <sup>1</sup>	Makati	Dec 2022	11,428	95,300	94,655	99%	36	756	916
MECC	Makati	Dec 2022	1,965	10,688	10,593	99%	32	114	135
TP Cebu	Cebu	Dec 2022	2,008	18,093	18,093	100%	29	166	208
The 30th <sup>1</sup>	Pasig	Dec 2022	5,206	74,704	73,322	98%	34	378	488
Laguna Technopark Land	Laguna	Sept 2022	1,126	98,179	98,179	100%	n/a	78	78
Vertis <sup>1</sup>	Quezon City	Dec 2022	17,249	164,628	158,985	97%	35	1,149	1,422
BPI- Philam Makati	Makati	Dec 2022	125	1,072	-	0%	n/a	9	10
BPI- Philam Alabang	Muntinlupa	Dec 2022	70	551	551	100%	n/a	5	8
Bacolod Capitol	Negros Occidental	Dec 2022	802	11,313	11,313	100%	39	68	88
Ayala Northpoint	Negros Occidental	Dec 2022	227	4,654	4,654	100%	36	25	31
Evotech	Laguna	Dec 2022	2,790	23,727	23,727	100%	36	208	310
eBloc Towers 1 to 4	Cebu	Dec 2022	8,365	79,640	78,755	99%	36	167	228
ACC Tower	Cebu	Dec 2022	1,913	27,458	26,052	95%	36	46	55
Tech Tower	Cebu	Dec 2022	1,207	16,273	15,025	92%	36	25	26

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

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

## **Summary of Real Estate Transactions for 2022**

On December 29, 2022, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI to 252,136,383 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 19 May 2022.

In line with this, the parties have executed an Amendment to Section 4.3 of the Deed of Exchange on 29 December 2022 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2022.

## **Financial Condition**

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

As of December 31, 2022, the Company's total borrowings registered at ₱3.28 billion which translated to a debt-to-equity ratio of 0.05:1.

Return on equity was at 5% as of December 31, 2022.

<b>Key Financial Ratios</b>	<b>2022</b>	<b>2021</b>
Current Ratio <sup>(1)</sup>	0.43	0.67
Debt to Equity <sup>(2)</sup>	0.05	0.08
Profitability Ratios		
Return on Asset <sup>(3)</sup>	5%	6%
Return on Equity <sup>(4)</sup>	5%	5%
Asset to Equity Ratio <sup>(5)</sup>	1.13	1.16

<sup>(1)</sup> Current assets/current liabilities

<sup>(2)</sup> Total debt/Average Stockholder's equity

<sup>(3)</sup> Total Net Income/Total Average Assets

<sup>(4)</sup> Total Net Income/Average Stockholder's equity

<sup>(5)</sup> 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.

## **LIQUIDITY AND CAPITAL RESOURCES**

## **For Year Ended December 31, 2022 versus For Year Ended December 31, 2021**

The Company ended a net decrease in cash of ₱29.26 million for year ended December 31, 2022, mainly from cash used in financing activities.

*Net cash flows provided by operating activities* amounted to ₱3,933.43 million and ₱2,210.58 million for the year ended December 31, 2022 and 2021, respectively. The increase mainly due to higher collections contributed by additional properties.

Cash flows used in *Investing activities* amounted to ₱263.05 million and ₱4,137.57 million for the year ended December 31, 2022 and 2021, respectively. The higher disbursement in 2021 is due to the payment for additions to investment properties.

Cash flows used in *Financing activities* amounted to ₱3,699.64 million in 2022 mainly due to payment of dividends and short-term loans. Cash flows provided by financing activities in 2021 amounting to ₱1,960.02 million mainly due to net proceeds from long-term debt.

*Net decrease in cash* as of December 31, 2022 resulted to ₱29.26 million.

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

### **Assets**

*Cash* decreased by 32% primarily due to cash flows used in financing activities for repayment of short-term loan.

*Receivables- current* increased by 45% mainly due to additional properties.

*Other current assets* increased by 41% due to higher input VAT classified as current.

*Investment properties* went up by 22% mainly due to the acquisition of Cebu properties namely, eBloc Towers 1 to 4, ACC Tower, and Tech Tower.

*Property and equipment* went up by 93% due to the acquisition of new office equipment.

*Other noncurrent assets* decreased by 8% due to lower input vat classified as noncurrent.

### **Liabilities**

*Short-term loans*, the outstanding short-term loans amounted to ₱3,277.69 million as of December 31, 2022. The ₱3.00 billion of which pertains to fixed rate bonds due on Dec 2023 at a rate equivalent to 3.0445% p.a. while the remaining loan pertains to unsecured and interest-bearing 30-day loans from various local banks with an interest rate of 5.5%

*Accounts and other payables*, increased by 101%, mainly due to additional payables from additional properties.

*Current portion of deposits and other liabilities* decreased by 28%, mainly due to lower advance payments from tenants.

*Current portion of lease liability* increased by 17%. The total cash outflow related to leases amounted to ₱49.23 million and ₱37.18 million in 2022 and 2021, respectively composed, of principal payment and interest on lease liabilities.

*Construction bonds*, amounted to ₱98.58 million as of December 31, 2022. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Noncurrent portion of deposits and other liabilities*, increased by 13%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.



## Equity

*Total equity* of ₱60,072.89 million as of December 31, 2022, 23% higher than December 31, 2021 at ₱48,887.59 million, due to increase in paid-up capital from ₱15,089.11 million in 2021 to ₱17,610.47 million in 2022, increase in additional paid-in capital from ₱11,333.07 million in 2021 to ₱20,021.65 million in 2022. Retained earnings decreased from ₱22,465.41 in 2021 to ₱22,441 in 2022 due to the reduction in fair value of investment properties.

In 2021, the Company voluntarily changed its accounting policy for its investment properties from cost model to fair value model of accounting which was applied retrospectively. Amounts presented in the audited statement of financial position as of December 31, 2021 and 2020 and audited statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019 were restated to reflect the impact of the change in accounting policy.

## **Review of 2021 operations vs 2020**

The Company's net income before change in fair value and reversal of deferred tax increased by 56% from ₱1,452.71 million in 2020 and ₱2,268.76 million in 2021. The increase was mainly due to income from additional properties acquired in 2021. The Company's net income after tax decreased by 61% from ₱6,264.81 million in 2020 to ₱2,433.27 million in 2021. The decrease was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

## Revenues

Total revenues increased by 63% from ₱2,035.92 million in 2021 to ₱3,316.46 million in 2021. This was mainly driven by higher rental income and net dues.

*Rental Income* increased by 68% from ₱1,495.72 million in 2020 to ₱2,506.91 million in 2021. The increase was primarily attributable to the addition of The 30<sup>th</sup> and Laguna Technopark lots in January 2021 and addition of Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU, which were added to the Company's portfolio in October 2021.

*Dues* increased by 59% from ₱389.38 million in 2020 to ₱621.01 million in 2021. The increase was attributable to the operations of new assets acquired in 2021.

*Interest income from finance lease*, increased by 25% from ₱150.81 million in 2020 and ₱188.55 million in 2021. 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 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

In 2021, the Company recognized a net fair value change in investment property of ₱164.50 million and ₱1,424.65 million in 2020.

## Cost and Expenses

*Direct operating expenses* increased by 84% from ₱444.07 million in 2020 to ₱815.87 million in 2021. The increase was primarily attributable to an increase in management fee of ₱169.44 million, an increase in taxes and licenses of ₱65.11 million, increase in land lease of ₱58.41 million, increase in repairs and maintenance of ₱45.21 million and increase in outside services of ₱23.25 million. These increases were related to the operations of additional properties acquired in 2021.

*General and administrative expenses* increased by 109%, from ₱49.47 million to ₱103.40 million mainly due to provision for probable losses amounting to ₱33.00 million in 2021 and increase in provision for doubtful accounts

of ₱15.27 million.

### **Other Income (charges)**

*Gain under finance lease* amounted to ₱49.76 million in 2021. In January 2021, the Company entered into a long-term building leases agreement with North Eastern Commercial Corp. for the lease of retail podiums in The 30th and Vertis developments. North Eastern Commercial Corp. (NECC) is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. The Company remains to be the legal owner of the portion of the building under finance lease.

*Interest Income* decreased by 91% from ₱78.67 million in 2020 to ₱7.21 million in 2021. The decrease was mainly due to the decrease in interest income from intercompany loans from ₱78.31 million in 2020 to ₱6.97 million in 2021.

*Interest expense* increased by 160% from ₱65.42 million in 2020 to ₱169.82 million in 2021. The increase was primarily attributable to the recognition of interest expense on loans amounting to ₱81.94 million in 2021, interest expense from finance lease amounting to ₱63.01 million and ₱51.49 million in 2021 and 2020, and accretion of security deposit amounting to ₱24.87 million in 2021 and ₱13.93 million in 2020.

*Other charges* amounted to ₱15.64 million in 2021 pertains to amortization of bond issue cost amounting to ₱0.18 million and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

*Other income* decreased by 97% from ₱3.66 million in 2020 to ₱0.10 million in 2021. This pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax*, the Company recognized a tax benefit in 2020 amounting to ₱3,280.88 and tax payable of ₱0.05 million in 2021. The 2020 tax benefit is a result of the restatement of 2020 balances following the change to fair value accounting. The Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2021 and 2020, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law.

### **Capital Expenditure**

AREIT acquired parcels of land in Laguna Technopark from Technopark Land, Inc. on January 5, 2021 for a total amount of ₱987.98 million VAT exclusive. The Company also acquired the 30th from Ayala Land, Inc. on January 15, 2021 for a total amount of ₱4,564.34 million VAT exclusive.

The Company has no material commitments for capital expenditures.

### **Summary of Real Estate Transactions for 2021**

On January 5, 2021, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc. to acquire 98,179 sq.m. of land for ₱1.1 billion (VAT-inclusive) located in Laguna Technopark is being leased by Integrated Micro-Electronics, Inc. for its manufacturing operations. The price was derived from a third-party valuation, using the market approach with a yield of 6.28% based on total acquisition cost.

On January 15, 2021, AREIT entered into a Deed of Sale with Ayala Land Inc. for the acquisition of The 30th for ₱5.1 billion (VAT-inclusive). The price was derived from a third-party valuation, using the income approach with an EBITDA yield of 6.1% based on total acquisition cost. The Property is located along Meralco Avenue in Pasig City, which has a building with a total GLA of 74,704 sq.m. composed of an office tower and a retail podium.

On October 7, 2021, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 08 June 2021.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 07 October 2021 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2021, instead of 01 November 2021.

### **Financial Condition**

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

As of December 31, 2021, the Company total borrowings registered at ₱3.85 billion which translated to a debt-to-equity ratio of 0.08:1.

Return on equity was at 5% as of December 31, 2021.

<b>Key Financial Ratios</b>	<b>2021</b>	<b>2020</b>
Current Ratio <sup>(1)</sup>	0.67	3.55
Debt to Equity <sup>(2)</sup>	0.08	-
Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	21%
Return on Equity <sup>(4)</sup>	5%	19%
Asset to Equity Ratio <sup>(5)</sup>	1.16	1.07

<sup>(1)</sup> Current assets/current liabilities

<sup>(2)</sup> Total debt/Average Stockholder's equity

<sup>(3)</sup> Total Net Income/Total Average Assets

<sup>(4)</sup> Total Net Income/Average Stockholder's equity

<sup>(5)</sup> Total asset/Total Stockholder's equity

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

#### **Year ended December 31, 2021 compared to year ended December 31, 2020 (Restated)**

#### **Assets**

*Cash* increased by 56% primarily due to additional net cash flow from operations of the newly acquired properties in 2021.

*Receivables- current* decreased by 44% mainly due to decreased in due from related parties.

*Other current assets* decreased by 34% due to lower input vat classified as current.

*Receivable- noncurrent* increased by 40% due to additional finance lease receivable from leases of NECC with the Company.

*Investment properties* went up by 72% mainly due to the acquisition of the 30<sup>th</sup> development, parcels of land in Laguna Technopark, Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU.

*Property and equipment* went up by 2470% due to the acquisition of new office equipment.

*Other noncurrent assets* increased by 65% due to higher input VAT brought by acquisition new assets.

#### **Liabilities**

*Short-term loans*, the Company obtained short-term loans from various local banks during the period. The outstanding short-term loans amounting to ₱890 million as of December 31, 2021, pertains to unsecured and interest bearing 30-day loans with average interest rate of 2.11%.

*Current portion of deposits and other liabilities* increased by 468%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

*Current portion of lease liability* increased by 25%. The total cash outflow related to leases amounted to ₱37.18

million composed of principal payment and interest on lease liabilities.

*Construction bonds*, amounted to ₱58.58 million as of December 31, 2021. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Long-term debt*, the Company issued a total of ₱3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. Transaction costs capitalized amounted to ₱42.70 million in 2021. Amortization amounted to ₱0.18 million in 2021 and included under "Other charges".

*Noncurrent portion of deposits and other liabilities*, increased by 79%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

*Noncurrent portion of lease liability*, increased by 33% due to additional lease liability for the lease agreements entered into by the Company related to land leases of One and Two Evotech and Bacolod Capitol. The rent is payable at a fixed monthly rate, subject to annual escalation rate.

## **Equity**

*Total equity* of ₱48,887.59 million as of December 31, 2021, 49% higher than December 31, 2020 at ₱32,807.75 million, due to increase in paid-up capital from ₱10,929.86 million in 2020 to ₱15,762.41 million in 2021, increase in additional paid-in capital from ₱785.68 million in 2020 to ₱11,333.07 million in 2021 and increase in retained earnings from net income contribution of ₱2,433.27 million for the period, reduced by dividend payments amounting to ₱1,733.36 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **For Year Ended December 31, 2021 versus For Year Ended December 31, 2020**

The Company ended a net increase in cash of ₱33.03 million for year ended December 31, 2021, mainly from cash generated from operations contributed by additional properties.

*Net cash flow from operating activities* amounted to ₱2,145.01 million and ₱1,527.34 million for the year ended December 31, 2021 and 2020, respectively. The increase mainly due to higher collections from operations and related security deposits and advance rents of the newly-acquired properties.

*Investing activities* used ₱4,137.57 million and ₱1,827.11 million for the year ended December 31, 2021 and 2020, respectively. Increase was mainly due to acquisition of The30th development and Laguna Technopark lots.

*Financing activities* provided ₱2,025.59 million and ₱236.56 million for the year ended December 31, 2021 and 2020. Mainly from the proceeds from short-term and long-term loans.

*Net increase in cash* as of December 31, 2021 resulted to ₱33.03 million which is ₱96.23 million higher than ₱63.20 million net decrease in cash as of December 31, 2020.

### **Review of 2020 operations vs 2019**

The Company's net income before change in fair value and reversal of deferred tax increased by 0.1% from ₱1,451.99 million in 2019 and ₱1,452.71 million in 2020. Slight increase mainly due to gain from finance lease recognized in 2019 amounting to ₱397.14 million. The Company's net income after tax increased by 69% from ₱3,704.34 million in 2019 to ₱6,264.81 million in 2020. The increase was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

## **Revenues**

Total revenues increased by 22% from ₱1,671.96 million in 2019 to ₱2,035.92 million in 2020. This was mainly driven by higher rental income and interest income from finance lease receivables.

*Rental Income* increased by 13% from ₱1,323.92 million in 2019 to ₱1,495.72 million in 2020. The increase was primarily attributable to the addition of McKinley Exchange Corporate Center and Teleperformance Cebu in the Company's property portfolio in February and October 2020, respectively.

*Dues* increased by 29% from ₱301.20 million in 2019 to ₱389.38 million in 2020. The increase was due to lower utilities consumption and lower manpower deployment during quarantine period.

*Interest income from finance lease receivables* increased significantly from ₱46.84 million in 2019 to ₱150.81 million in 2020. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019.

### **Net Fair Value Change in Investment Property**

The Company recognized a net fair value change in investment property of ₱2,746.77 million and ₱1,424.65 million in 2019 and 2020, respectively.

### **Cost and Expenses**

*Direct operating expenses* increased by 25% from ₱354.32 million in 2019 to ₱444.07 million in 2020. The increase was primarily attributable to an increase in management fee of ₱62.31 million, an increase in taxes and licenses of ₱38.18 million, and an increase in land lease of ₱13.03 million. These increases were related to the operations of McKinley Exchange Corporate Center and Teleperformance Cebu.

*General and administrative expenses* increased by 249% from ₱14.18 million in 2019 to ₱49.47 million in 2020, mainly due to costs incurred for the Company's initial public offering (IPO).

### **Other Income (charges)**

*Interest Income* increased by 35% from ₱58.26 million in 2019 to ₱78.67 million in 2020. The increase was primarily attributable to the increase in interest income from intercompany loans from ₱57.95 million in 2019 to ₱78.31 million in 2020.

*Interest expense* significantly increased by 421% from ₱12.56 million in 2019 to ₱65.42 million in 2020. The increase was primarily attributable to the recognition of interest expense on lease liabilities amounting to ₱51.49 million in 2020.

*Other income* increased by 2568% from ₱0.14 million in 2019 to ₱3.66 million in 2020. This pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax* decreased by 516% from ₱788.87 million in 2019 to ₱3,280.88 million tax benefit in 2020. This decrease was mainly due to derecognition of deferred taxes.

### **Capital Expenditure**

AREIT acquired Teleperformance Cebu from ALO Prime Realty Corporation, a wholly-owned subsidiary of Ayala Land, Inc. on September 15, 2020 for a total amount of ₱1,450.00 million.

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

#### **Year ended December 31, 2020 (Restated) compared to year ended December 31, 2019 (Restated)**

#### **Assets**

*Cash* decreased by 52% primarily due to cash outflow from investing activities (intercompany loans and additional investment properties).

*Receivables- current* increased by 21% mainly due to increase in due from related parties.

*Other current assets* increased by 84% due to higher input VAT brought by acquisition new assets.

*Receivable- noncurrent* increased by 40% due to additional finance lease receivable from leases of NECC with the Company.

*Investment properties* went up by 15% mainly due to the acquisition of Teleperformance Cebu building and right-of-use asset for the lease of McKinley Exchange Corporate Center.

*Property and equipment* decreased by 40% due to the yearly depreciation.

*Other noncurrent assets* increased by 8% due to higher input VAT brought by acquisition new assets.

## **Liabilities**

*Accounts and other payables* increased by 87% due to increase in due to related parties, primarily for fund and property management fees.

*Current portion of deposits and other liabilities* decreased by 22% due to application of advance rent to tenant's current charges.

*Current portion of lease liability*, recognized in 2020 for the building lease for McKinley Exchange Corporate Center.

*Construction bonds*, decreased due to refund to tenants. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Noncurrent portion of deposits and other liabilities*, increased by 20%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

*Noncurrent portion of lease liability*, recognized in 2020 for the building lease for McKinley Exchange Corporate Center.

## **Equity**

*Total equity* of ₱32,807.75 million as of December 31, 2020, 14% higher than December 31, 2019 at ₱26,232.47 million, due to increase in paid-up capital from ₱10,451.22 million in 2019 to ₱10,929.86 million in 2020, recognition of additional paid-in capital amounting to ₱785.68 million in 2020 and increase in retained earnings from net income for the period and reduced by dividend payments.

## **Risks**

AREIT, Inc. is highly dependent on the performance of the Philippine property market since all its Properties are located in the Philippines. Thus, the Company is directly affected by the risks that affect the Philippine property market as a whole.

Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP's tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of AREIT's Properties and a decrease in our rental rates. Additionally, the Properties are currently all located in Metro Manila and Luzon, which subjects AREIT to the risk of a decline in land or real estate values.

There can be no assurance that the Philippine property market will continue to do well. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of, or slowdown in, the national and local property markets may still adversely affect the demand and prices for real estate. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may have an adverse effect on the outlook on the Philippine property market and lead to an adverse change in the Philippines' macroeconomic situation generally, which could materially and adversely affect our results of operations. We cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease.

Our risk is mitigated by our focus on Grade A commercial buildings located in prime locations. Our

Properties are mostly situated in the Makati CBD which is the economic center of the country and boasts the highest rental rates in Metro Manila and in Cebu City, another key city in the country. As such it is less susceptible to market fluctuations. We also believe that the recent positive growth in the Philippine economy will continue. In any event, we also take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates
- Changes in the value of the Peso versus other currencies
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country's liquidity and credit exposures

To mitigate the above-mentioned risks, AREIT shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of SEC Form 17-A, free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the following:

**AREIT, Inc.**  
**28/F Tower One and Exchange Plaza**  
**Ayala Triangle, Ayala Avenue, Makati City 1226**

**Attention: Ms. Ma. Teresa R. Famy**  
**Treasurer, Chief Finance Officer and Chief Compliance Officer**

## II. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

A) Principal Market where the Registrant's Common equity is traded.

### Philippine Stock Exchange Prices (in PhP/share)

	<u>High</u> <u>2022</u>	<u>Low</u> <u>2022</u>	<u>Close</u> <u>2022</u>
First Quarter	52.50	44.35	45.80
Second Quarter	47.00	34.00	34.90
Third Quarter	39.90	32.45	34.00
Fourth Quarter	36.50	30.55	35.40

The market capitalization of AREIT, Inc as of February 28, 2023, based on the closing price of ₱36.00/share, was approximately ₱62.34 billion.

The price information as of the close of the latest practicable trading date March 23, 2023 is ₱34.3 per share.

B) Holders

The Company has 23 registered stockholders as of February 28, 2023.

	<b>Stockholder Name</b>	<b>No. of Common Shares</b>	<b>Percentage (of common shares)</b>
1.	Ayala Land, Inc. <sup>21</sup>	966,408,006	54.88%
2.	PCD Nominee Corporation (Filipino)	515,812,309	29.29%
3.	Ayalaland Offices, Inc.	96,292,435	05.47%
4.	PCD Nominee Corporation (Non-Filipino)	82,852,091	04.70%
5.	Glensworth Development, Inc.	62,146,531	03.53%
6.	Westview Commercial Ventures Corp.	37,443,313	02.13%
7.	NSJS Realty and Development Corp.	25,000	00.00%
8.	Maria Victoria Romero San Pascual	24,000	00.00%
9.	Ponciano Velasquez Cruz, Jr.	13,100	00.00%
10.	Sylvette Young Tankiang	11,200	00.00%
11.	Alberto B. Guevara Jr. or Alberto F. Guevara III or Isabel F. Guevara	8,000	00.00%
12.	Ivie Mae Dim Lao	5,000	00.00%
13.	Andres S. Vazquez-Prada	3,200	00.00%
14.	Mary Therese R. Villanueva	2,800	00.00%
15.	Ofelia R. Blanco	200	00.00%

<sup>21</sup> To ensure compliance with the minimum public ownership requirement, Ayala Land, Inc. will sell some of its shares on or before the Annual Stockholders Meeting of AREIT, or such other date as Ayala Land, Inc. deems proper, which date shall be before the issuance of shares under the property-for-share swap to be presented to AREIT's stockholders at its Annual Stockholders Meeting on April 26, 2023. The required disclosures will be made at the appropriate time.



16.	Bernard Vincent O. Dy	1	00.00%
17.	Omar T. Cruz	1	00.00%
18.	Enrico S. Cruz	1	00.00%
19.	Mariana Zobel de Ayala	1	00.00%
20.	Augusto D. Bengzon	1	00.00%
21.	Carol T. Mills	1	00.00%
22.	Jose Emmanuel H. Jalandoni	1	0.0000%
23.	Jessie D. Cabaluna	1	0.0000%

A list of the company's top 100 stockholders as of December 31, 2022 can be found through this link:

[https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=de6e4ab01586e3809e4dc6f6c9b65995](https://edge.pse.com.ph/openDiscViewer.do?edge_no=de6e4ab01586e3809e4dc6f6c9b65995)

### C) Dividends

2022 CASH DIVIDEND		
PER COMMON SHARE	RECORD DATE	PAYMENT DATE
0.39	March 15, 2021	March 25, 2021
0.42	June 11, 2021	June 25, 2021
0.44	August 26, 2021	September 10, 2021
0.44	October 6, 2021	October 22, 2021
0.47	March 11, 2022	March 25, 2022
0.48	June 2, 2022	June 17, 2022
0.49	August 26, 2022	September 9, 2022
0.49	October 25, 2022	November 10, 2022
0.52	March 10, 2023	March 24, 2023

#### Dividend policy

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders are entitled to receive at least 90% of annual Distributable Income for the current year. For 2022, the Company declared total dividends amounting to ₱3,118.75 million representing 90.75% of the Distributable Income for the year 2022.

	2022
Net income	₱ 2,887,563,036
Unrealized gains:	
Unrealized loss on fair value change in investment properties	548,953,984
<u>Distributable Income</u>	<u>₱3,436,517,020</u>

For 2022, dividends declared were as follows:

Payment Date	Aggregate Amount Paid
June 17, 2022	724,277,188.80
September 9, 2022	739,366,296.90
November 10, 2022	739,366,296.90
March 24, 2023	915,744,540.36
<b>Total Amount of Dividends Paid</b>	<b>3,118,754,322.96</b>
<b>% of Dividends to Distributable Income</b>	<b>90.75%</b>

*\*As per Section 10 of Revenue Regulation No. 13-2011, as amended, dividends distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth (5<sup>th</sup>) month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.*

Dividends were declared in accordance with the provisions of Section 42 of the Revised Corporation Code, specifically that dividends for prior years were taken from the unrestricted retained earnings of the Company.

The Company intends to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Revised Corporation Code, among others, the terms and conditions of our outstanding loan facilities, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, instances when there is a need for special reserves for probable contingencies.

The failure to distribute at least 90% of the annual Distributable Income will subject the Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the Company from the PSE.

Over the last three years, the Company has distributed at least 90% of the distributable income.

	<b>Dividends</b>	<b>Distributable Income</b>	<b>% of Dividends</b>
2020	1,353,866,494	1,223,891,240	111%
2021	2,042,541,446	2,219,001,086	92%
2022	3,118,754,323	3,436,517,020	91%

#### D) Recent Sale of Securities

The Company has not sold or issued any exempt securities to the public.

#### E) Corporate Governance

- i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer. The Integrated Annual Corporate Governance (I-ACGR) of AREIT will be submitted to the SEC on or before May 30, 2023.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

## ANNEX “D”

### NATURE AND SCOPE OF BUSINESS

AREIT, Inc. is a real estate company established in the Philippines (“AREIT”). Previously known as One Dela Rosa Property Development, Inc., the Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, the Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. With its initial public offering in August 13, 2020, AREIT became the first Real Estate Investment Trust (REIT) in the country.

AREIT, Inc. is a REIT formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. Primarily, AREIT will be the commercial REIT platform for Ayala Land. As a commercial REIT, AREIT will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, AREIT may also explore other types of real estate properties available in the market. AREIT offers Shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Ayala Land, experienced management with incentive to grow our Company’s Gross Revenue and Net Operating Income, and distribution of at least 90% of our Company’s Distributable Income.

The Company’s principal investment strategy is to invest in income-generating real estate that meet a select set of criteria.

As of March 14, 2023, the Company’s recurring income portfolio consists of 683 thousand square meters of gross leasable space among various commercial buildings in Metro Manila, Bacolod City, Talisay City, Sta. Rosa, Laguna, Cebu City, and four (4) parcels of leased industrial land that meets AREIT’s investment criteria. The land on which the commercial buildings are built do not form part of the Company’s asset portfolio and is not owned by the Company.

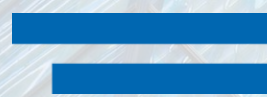
- **Solaris One**, a 24-storey, Grade A, PEZA-accredited commercial building previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sqm. of and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines.
- **Ayala North Exchange**, a Grade A, mixed-use development, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The GLA of Ayala North Exchange is 95,300.35 sqm. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.
- **McKinley Exchange**, a 5-storey Grade A, PEZA-accredited mixed-use development, which began operations in 2015, with GLA of 10,687.50 sq. m., 9,633.32 sqm. of which is designated for commercial office leasing, , located along McKinley Road corner EDSA in Makati, Metro Manila’s preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, AREIT entered into a Contract of Lease with the Sponsor for the lease of the office and retail building.
- **Teleperformance Cebu**, a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 18,092.66 sqm located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- **The 30<sup>th</sup> Commercial Development**, located along Meralco Avenue in Pasig City, is a commercial building with a total GLA of 74,704 sqm composed of a 19-storey office tower with a GLA of 47,871 sqm and a 4-storey retail podium with a GLA of 26,833 sqm.

- **Laguna Technopark Industrial Lots**, totaling 98,179 sqm, AREIT owns four parcels of industrial land located in Binan, Laguna, currently occupied by Integrated Micro-Electronics Inc. (IMI), under a long-term lease for its global manufacturing and technology solutions.
- **Vertis North Commercial Development**, a mixed-use development located in North Avenue, North Triangle, Quezon City, which consists of three (3) office towers situated on top a four (4)-storey retail podium known as Vertis North Commercial Development. The three (3) office towers consist of 19, 20, and 20-storeys, respectively. All office towers are Philippine Economic Zone Authority ("PEZA")-accredited business process outsourcing offices designed for 24/7 operations, and are Leadership in Energy and Environmental Design ("LEED")-certified. There are four (4) levels of basement parking. The retail podium was completed in 2017, while the office towers 1, 2, and 3 were completed in 2018, 2018, and 2019, respectively. The GLA of the retail podium is 39,305.76 square meters (sq. m.), while the office towers are composed of 125,507.39 sq. m. of GLA. The land on which Vertis North Corporate Center stands is being leased from Ayala Land, Inc.
- **One Evotech**, a four (4)-storey PEZA-accredited, LEED Silver Certified, campus type, BPO office designed for 24/7 operations, with a gross leasable area of 12,049 sq. m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT with a remaining term of 37 years.
- **Two Evotech**, a 5-storey PEZA-accredited, BPO office designed for 24/7 operations, with with a gross leasable area of 11,675 sq.m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT for a remaining term of 37 years.
- **Bacolod Capitol Corporate Center**, a seven (7)-storey PEZA-accredited BPO building designed for 24/7 operations, with a gross leasable area of 11,313 sq. m. The land on which Bacolod Capitol Corporate Center stands is owned by the Province of Negros Occidental, and is leased by AREIT from the Province of Negros Occidental with a remaining term of 40 years.
- **Ayala Northpoint Technohub**, a two (2)-storey PEZA-accredited BPO office facility designed for 24/7 operations with a gross leasable area of 4,653 sq.m., The site is located at The District North Point, Barangay Zone 15, Talisay City, Negros Occidental. and is under a land lease agreement with ALI with a remaining term of 37 years.
- **BPI-Philam Life Makati**, composed of three (3) office condominium units with a gross leasable area of 1,072 sq.m. located at the 19th floor, Ayala Life FGU Center, 6811 Ayala Avenue, Makati City. The land on which the building stands is owned by the Ayala Life FGU Center Condominium Corporation.
- **BPI-Philam Life Alabang**, consists of six (6) office condominium units with total leasable area of 551 sq. m. located at the 7th floor of BPI-Philam Life Alabang, Alabang-Zapote Road corner Acacia Avenue, Madrigal Business Park, Muntinlupa City. The land on which the building stands is owned by the Ayala Life-FGU Center Alabang Condominium Corporation.
- **eBloc 1**, a twelve (12)-level, Philippine Economic Zone Authority ("PEZA")-accredited office development completed in 2009, with gross leasable area of 20,841.90 sq.m. located along Jose Ma. del Mar Street, Cebu, IT Park. The land on which the building stands is owned by Ayala Land, Inc.
- **eBloc 2**, a seventeen (17)-level, PEZA-accredited office development completed in 2011 with gross leasable area of 27,727.33 sq.m. located along W. Geonzon Street, Cebu, IT Park. The land on which the building stands is owned by Ayala Land, Inc.
- **eBloc 3**, a twelve (12)-level, PEZA-accredited office development completed in 2014 with gross leasable area of 15,233.00 sq.m. located along W. Geonzon Street, Cebu, IT Park. The land on which the building stands is owned by Ayala Land, Inc.
- **eBloc 4**, a twelve (12)-level, PEZA-accredited office development completed in 2015 with gross

leasable area of 16,166.63 sq.m. located along Jose Ma. del Mar Street, Cebu, IT Park. The land on which the building stands is owned by Ayala Land, Inc.

- **ACC Tower**, a twenty (20)-level, PEZA-accredited mixed-use development completed in 2016 with gross leasable area of 27,517.00 sq.m. located along Bohol Avenue, Ayala Center Cebu, Cebu Business Park, Brgy. Mabolo, Cebu City. The land on which the building stands is owned by Ayala Land, Inc.
- **Tech Tower 1**, a twelve (12)-level, PEZA-accredited office development completed in 2018 with gross leasable area of 16,812.74 sq.m. located along Sumilon corner Camiguin Roads, Cebu City. The land on which the building stands is owned by Ayala Land, Inc.





# Property-for-Share Swap between Ayala Land, Inc., Ayalaland Malls, Inc., Northbeacon Commercial Corporation, and AREIT, Inc.

Fairness Opinion Report

**STRICTLY PRIVATE & CONFIDENTIAL**

6 March 2023

**Ayala Land, Inc.**

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

**AREIT, Inc.**

28F, Tower One & Exchange Plaza,  
Ayala Triangle, Ayala Avenue, Makati City

Attention: Board of Directors of Ayala Land, Inc. and AREIT, Inc.

**Re: Fairness Opinion Report**

Ladies and Gentlemen:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Fairness Opinion Report ("Report") covering the property-for-share swap transaction in relation to the planned infusion of certain properties (the "Properties") owned by Ayala Land, Inc. ("ALI"), Ayalaland Malls, Inc. ("ALMI"), and Northbeacon Commercial Corporation ("NBCC") into AREIT, Inc. ("AREIT").

ALI, ALMI, and NBCC intend to transfer the Properties to AREIT in exchange for primary shares to be issued by AREIT (the "Transaction"). The Properties consist of four office properties located in Makati City (i.e., Glorietta BPO Tower 1 and Tower 2 owned by ALI; One Ayala – West Tower and East Tower owned by ALMI) and two commercial malls (i.e., Glorietta 1 & 2 Mall in Makati City owned by ALI, and Marquee Mall in Angeles City, Pampanga owned by NBCC). The land where the Properties are located will not be transferred. Further, ALI and NBCC will continue earning lease income from the malls and lease the buildings from AREIT.

In this regard, FTI Consulting has been asked to render an opinion on whether the proposed exchange of AREIT shares for the Properties is fair from a financial point of view.



FTI Consulting conducted a valuation study of the Properties and AREIT in accordance with the 2022 International Valuation Standards (“IVS”) to determine the fairness of the consideration to be transferred and consideration to be received by AREIT. The following standards were used:

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

The Valuation Date is 31 December 2022, with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value (also referred to as “Fair Value”) is the basis of value used in this engagement. Market Value is defined in the IVS as the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

The Philippine Stock Exchange, Inc.’s (“PSE”) Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the property-for-share swap transactions. Such fairness opinion must be supported by a valuation report.

FTI Consulting is an independent firm accredited by the PSE (PSE Accreditation CN 2022-0043 released on 7 November 2022) for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the Exchange in compliance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the Securities and Exchange Commission (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in accordance with SEC Memorandum No 2 Series of 2014 (Guideline on Asset Valuation).

\*Provisions on valuation approaches and methods



## Summary of Findings

The Properties were valued using the Discounted Cash Flows (“DCF”) Method and Direct Capitalization Method under the Income Approach. AREIT, on the other hand, was valued using the DCF Method as the primary method. The Volume Weighted Average Price (“VWAP”) Method and Comparable Public Companies Method under the Market Approach were used as cross-checks. The estimated valuation ranges of the Properties and AREIT as of the Valuation Date are presented in Exhibits 1 and 2, respectively.

### Exhibit 1. Valuation Summary – Properties

Properties	Low Estimate	High Estimate
In PHP millions		
Glorietta BPO Tower 1	2,872.00	3,748.00
Glorietta BPO Tower 2	3,061.00	3,944.00
One Ayala – West Tower	4,542.00	5,645.00
One Ayala – East Tower	5,654.00	7,520.00
Glorietta 1 and 2 Mall	2,853.00	3,739.00
Marquee Mall	1,252.00	2,238.00
<b>TOTAL RANGE OF MARKET VALUES</b>	<b>20,234.00</b>	<b>26,834.00</b>

Sources: FTI Consulting Analysis

### Exhibit 2. Valuation Summary – AREIT

Method	Equity Value		Value per Share <sup>1</sup>	
In PHP millions except for the per share values	Low Est.	High Est.	Low Est.	High Est.
<b>Discounted Cash Flows Method</b>	<b>62,461.62</b>	<b>70,952.37</b>	<b>35.47</b>	<b>40.29</b>
<i>Cross-checks:</i>				
Volume Weighted Average Price Method	58,418.61	74,014.27	33.17	42.03
Comparable Public Companies Method				
Enterprise Value-to-NTM EBITDA	52,529.63	57,739.25	29.83	32.79
Enterprise Value-to-NTM EBIT	53,267.54	61,380.36	30.25	34.85
Price-to-NTM EPS	58,057.95	64,368.70	32.97	36.55
<b>RANGE OF MARKET VALUES</b>	<b>62,461.62</b>	<b>70,952.37</b>	<b>35.47</b>	<b>40.29</b>

<sup>1</sup>Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

\*NTM = next twelve months

### Fair Range of AREIT shares to be Exchanged

Given the range of market values of the Properties and the range of market values per share of AREIT, we determined the range of AREIT shares to be issued which is considered fair from a financial point of view as shown in Exhibit 3.

#### Exhibit 3. Fair Range of AREIT Shares to be Issued

Summary	Range of Market Values	
	Low Estimate	High Estimate
Properties (PHP millions)	20,234	26,834
AREIT, Inc. (PHP/share) <sup>1</sup>	35.47	40.29
<b>Fair Range of AREIT Shares to be Exchanged (in millions)</b>	<b>502.21</b>	<b>756.56</b>

<sup>1</sup>Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

### Valuation Conclusion and Fairness Opinion

Exhibit 4 shows the comparison of the fair range of AREIT shares to be issued calculated by FTI Consulting and the proposed number of shares to be issued by AREIT's management in the Transaction.

#### Exhibit 4. Comparison of the Fair Range of AREIT Shares to be Issued and the Proposed Number of Shares to be Issued by AREIT

Total Number of Shares	Fair Range of Shares to be Issued		Proposed Number of Shares to be issued by AREIT
	Low	High	
In Millions			
Total number of shares	<b>502.21</b>	<b>756.56</b>	<b>607.56</b>

Source: FTI Consulting Analysis, AREIT Management

Given that the total number of shares to be issued by AREIT (i.e., 607.56 million AREIT shares) falls within our fair range of shares that AREIT can issue in exchange for the Properties (as seen in Exhibit 4), we are of the opinion that the proposed Transaction is fair from a financial point of view.

## Statement of Limitations

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

## Statement of Compliance

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

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

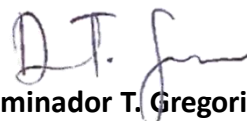
Yours faithfully,

**FTI CONSULTING PHILIPPINES, INC.**

Unit 1404, The Victor Hotel  
7258 J. Victor Street, Makati City  
1200 Metro Manila, Philippines  
PSE Accreditation CN - No. 2022-0043  
Validity Date: 7 November 2022 to 7 November 2023  
SEC Accreditation No. 032  
Validity Date: 29 October 2020 to 28 October 2025

A handwritten signature in blue ink, appearing to read "John B. Balce".

**John B. Balce**  
Senior Managing Director  
Unit 1404, The Victor Hotel, 7258 J. Victor Street, Makati City  
PRC License No: 0113153  
Validity Date: until 27 June 2025  
PTR Number: 9588865  
TIN: 236-703-421

A handwritten signature in blue ink, appearing to read "D.T. Gregorio III".

**Dominador T. Gregorio III**  
Senior Managing Director  
Unit 1404, The Victor Hotel, 7258 J. Victor Street, Makati City  
PRC License No: 0057726  
Validity Date: until 18 May 2025  
PTR Number: 9588864  
TIN: 177-088-250

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT FUND MANAGERS, INC.***

### **One Ayala East Tower**

Located in  
**Barangay San Lorenzo**  
**Makati City, Metro Manila**

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices to undertake the work required. has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig



06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 02-2023-0168-001A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) use as of **16 February 2023**.

The appraised property consists of a **building (One Ayala East Tower)**, located at the **6<sup>th</sup> to 29<sup>th</sup> floors of One Ayala East Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value** is defined as

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach 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,

Discounted Cash Flow Analysis,

Lease / Rental rates of the property, and

Extent, character, and utility of the property.

.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **FIVE BILLION SIX HUNDRED EIGHTY-TWO MILLION EIGHT HUNDRED TWENTY-SIX THOUSAND (Php5,682,826,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**HERNANDO E. GOZON, JR.**

**Real Estate Appraiser**

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

GYD:agd

**CAI File No. 02-2023-0168-001A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-001A

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is a building located **at the 6<sup>th</sup> to 29<sup>th</sup> floor of One Ayala East Tower, along Ayala Avenue corner Epifanio delos Santos Avenue (EDSA), Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila.**

One Ayala is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio delos Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio delos Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio delos Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio delos Santos Avenue (EDSA) is 50 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

SM City Makati  
MRT – Ayala Station  
Glorietta  
Twin Towers  
Pacific Plaza Condominium  
The Ritz Towers  
Rustan's Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing needs of the residents in the area are available in the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the site.

### III. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available within the subject building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

### V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING

The property is a portion of a building located at the 6<sup>th</sup> to 22<sup>nd</sup> of the One Ayala East Tower, containing a total floor area of 55,923.31 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as follows:

EAST TOWER	Multi-Tenant					Zoning
	Total					
L6	1,727.26	490.46	354.58	430.52	451.70	LZ
L7	1,603.83	490.53	354.58	430.52	328.20	LZ
L8	1,691.64	464.50	354.58	430.52	442.04	LZ
L9	1,691.64	464.50	354.58	430.52	442.04	LZ
L10	1,691.64	464.50	354.58	430.52	442.04	LZ
L11	1,691.64	464.50	354.58	430.52	442.04	LZ
L12	1,691.64	464.50	354.58	430.52	442.04	LZ
L14	1,691.64	464.50	354.58	430.52	442.04	LZ

EAST TOWER	Multi-Tenant					Zoning
	Total					
L15	1,691.64	464.50	354.58	430.52	442.04	MZ
L16	1,657.62	414.53	370.53	430.52	442.04	MZ
L17	1,744.52	414.53	457.43	430.52	442.04	MZ
L18	1,744.52	414.53	457.43	430.52	442.04	MZ
L19	1,744.52	414.53	457.43	430.52	442.04	MZ
L20	1,744.52	414.53	457.43	430.52	442.04	MZ
L21	1,744.52	414.53	457.43	430.52	442.04	MZ
L22	1,744.52	414.53	457.43	430.52	442.04	MZ
L23	1,744.52	414.53	457.43	430.52	442.04	HZ
L24	1,752.92	521.21	332.93	430.52	468.26	HZ
L25	1,840.30	608.60	332.93	430.52	468.26	HZ
L26	1,840.30	608.60	332.93	430.52	468.26	HZ
L27	1,840.30	608.60	332.93	430.52	468.26	HZ
L28	1,840.30	608.60	332.93	430.52	468.26	HZ
L29	1,840.30	608.60	332.93	430.52	468.26	HZ
<b>TOTAL</b>	<b>39,996.23</b>					

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds, since it is not included in the assignment.

## VI. DESCRIPTION OF THE SUBJECT BUILDING

### One Ayala East Tower -

This is twenty-three (23)-level of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement, and roof deck of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum board ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area is located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

The tower features office units (BP O) from the 6th to the 29th floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by eighteen (18) passenger elevators, and one (1) service elevator.

## **VII. VALUATION**

The **Income Approach** 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 different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

## ONE AYALA EAST TOWER

### DISCOUNTED CASH FLOW ANALYSIS (DCF)

[illegible]



## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT FUND MANAGERS, INC.***  
**(Marquee Mall – Pampanga)**

Located in

**Barangay Pulung Maragul, Angeles City  
Pampanga**

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

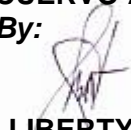
**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 02-2023-0168-002A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted a desk review appraisal of certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition/asset for share swap transaction) as **16 February 2023**.

The appraised property consists of **building only (Marquee Mall – Pampanga)**, located within **Barangay Pulung Maragul, Angeles City, Pampanga**.

Terms used herein are defined as follows:

**Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

**Desk Review** is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 18 February 2021 under CAI File No. 11-2020-0528-010A was revalued in accordance with the prevailing market prices as of 16 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partake in the nature of a desk review or a "table appraisal" and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach as a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease/Rental rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.


Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably represented in the amount of **TWO BILLION FIFTEEN MILLION THREE HUNDRED THIRTY THOUSAND (Php2,015,330,000) PESOS**.

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,  
**CUERVO APPRAISERS, INC.**

**By:**



**HERNANDO E. GOZON, JR.**

**Real Estate Appraiser**

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

WVE:agd

CAI File No. 02-2023-0168-002A

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 02-2023-0168-002A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers a desk review appraisal of certain real property located within Barangay Pulung Maragul, Angeles City, Pampanga. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the said previous appraisal report, the appraised property is identified as the site of **Marquee Mall**, located **at the north corner of the North Luzon Expressway (NLEX) – Angeles Exit Road and Don Aniceto Gueco Avenue, Barangay Pulung Maragul, Angeles City, Pampanga**.

The property is across the Infinity Subdivision, Angeles City Hall Complex and Marquee Residences, approximately 100 meters southwest from the North Luzon Expressway (NLEX); 1.22 kilometers northeast from Jose P. Dizon Elementary School; 2.8 kilometers northeast from Puregold Pandan; 2.96 kilometers northeast from Saint Ignacio Subdivision; and about 3.75 kilometers northeast from the interchange of MacArthur Highway and Pandan Road.

NLEX-Angeles Exit Road and Don Aniceto Gueco Avenue are 30 and 20 meters wide, respectively. Both are concrete with asphalt overlay paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage and center-island.

The configuration of the site, as inspected, appears to conform to the lot plan as plotted based on the technical description appearing in the titles.

### **III. NEIGHBORHOOD DATA**

The property is in an area where land development is of mixed residential and commercial use.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are asphalt paved, with widths ranging from 15 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are --

Angeles City Hall Complex  
 Marquee Residences  
 The Infinity Subdivision  
 Pulong Maragul Barangay Hall  
 Toyota – Angeles Pampanga, Inc.  
 Marquee Place Club House  
 Marquee Place Subdivision  
 Santa Maria Village 2  
 Angeles City National High School  
 Forest Park Homes North  
 Santa Teresita Elementary School

Puregold Pandan, SM City – Clark, Savers Mall and Robinsons Place Angeles serve the shopping needs of the residents in the area. These are accessible from Pandan Road by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power and water supply facilities are available at the site.

Public transportation connecting to various sections of Angeles City and nearby towns is available along Pandan Road. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. LAND DATA**

Based on the said appraisal report, the land consists of two (2) adjoining lots, containing an aggregate area of 54,862 square meters, technically identified as follows:

<b>Lot No.</b>	<b>Survey Nos.</b>	<b>TCT Nos.</b>	<b>Area (sq.m.)</b>
1-A	Psd-03-170696	174000	12,395
1-C	Psd-03-170696	174001	<u>42,467</u>
			<b>Total - 54,862 sq.m.</b>

The above certificates of title were issued by the Registry of Deeds for Angeles City in favor of the **NORTHBEACON COMMERCIAL CORPORATION**.



The land is bounded by the following properties:

Northeast	-	Lots 2, Pcs-03-014540 and 2-C, Psd-03-126460
Southeast	-	NLEX –Angeles Exit Road (Lot 5, Pcs-03-011411 and Lot 1-D)
Southwest	-	Don Anceto Gueco Avenue (Lot 5, Pcs-03-011411, Lot 1-B, and Lot 2-D, Psd-03-126460)
Northwest	-	Lots 1-A and 1-B

Attached is a plan of the property as plotted based on technical description appearing in the titles furnished to us by the client. As shown, the land is irregular in shape.

The terrain of the land is flat, uniform and at grade with the fronting roads.

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds since it is not included in the assignment.

#### **VI. DESCRIPTION OF IMPROVEMENT**

The land is improved with a building described as under:

##### **MARQUEE MALL BUILDING**

This is three (3)-storey of reinforced concrete frame and foundation, floors and stairs, and partly roof deck, of pre painted ribbed type long span metal sheet on steel frame and reinforced concrete slab roof with water proofing membrane; fiber cement board, aluminum spandrel and acoustic board on aluminum T-runner ceilings; concrete hollow block with plaster cement, stone deco, partly with granite tile and partly gypsum board with aluminum composite panel cladding interior and plaster cement and aluminum composite panel exterior finished walls; cement plastered concrete hollow block and glass panel partitions; glass on powder coated aluminum frame and concrete and steel louver type windows; steel and wood panel, plywood, PVC panel and metal flush, frameless glass and glass on powder coated aluminum panel doors; and homogenous tile, granite tile, vinyl tile, ceramic tile, carpet, steel plate, plain cement and rubberized epoxy paint finished floors.

The building is painted and complete with machinery and equipment as described in a separate cost approach valuation report. Total floor area is approximately 64,888 square meters, allocated as follows:

<b>Floor Level</b>	<b>Area (sq.m.)</b>
Ground	29,120
Second	22,880
Third	<u>12,888</u>
	<b>Total - 64,888 sq.m.</b>

Estimated remaining economic life is 31 years.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

The **Income Approach** 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 different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.

4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

## MARQUEE MALL

## DISCOUNTED CASH FLOW VALUATION (DCF)

	2020	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Terminal Value
	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		165,418,638	168,727,011	172,101,551	175,543,582	179,054,454	182,635,543	186,288,253	190,014,019	193,814,299	197,690,585	
Less : Expenses		95,632,780	96,195,369	96,769,209	97,354,527	97,951,550	98,560,515	99,181,658	99,815,224	100,461,462	101,120,625	
NET INCOME		69,785,858	72,531,642	75,332,341	78,189,055	81,102,903	84,075,028	87,106,595	90,198,794	93,352,837	96,569,960	
Add back: Depreciation		65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	
NCFO		135,200,199	137,945,982	140,746,682	143,603,396	146,517,244	149,489,369	152,520,936	155,613,135	158,767,177	161,984,301	
Less: CAPEX		- 4,962,559	- 5,061,810	- 5,163,047	- 5,266,307	- 5,371,634	- 5,479,066	- 5,588,648	- 5,700,421	- 5,814,429	- 5,930,718	
NET CASH FLOW (N)		130,237,639	132,884,172	135,583,636	138,337,088	141,145,610	144,010,302	146,932,288	149,912,714	152,952,748	156,053,583	2,596,671,000
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		127,411,000	119,091,000	111,314,000	104,043,000	97,249,000	90,899,000	84,956,000	79,409,000	74,228,000	69,366,000	1,057,364,000
NET PRESENT VALUE (NPV) @ 9.16% WACC	2,015,330,000											
Market Value (Php)	2,015,330,000											

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT FUND MANAGERS, INC.***

### **Glorietta 1 BPO**

Located in  
**Barangay San Lorenzo  
Makati City, Metro Manila**

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 02-2023-0168-003A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use as of **16 February 2023**.

The appraised property consists of a **building (Glorietta 1 BPO)**, located **at the 5<sup>th</sup> to 10<sup>th</sup> floors of Glorietta 1, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Terms used herein are defined as follows:

**Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

**Desk Review** is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 31 January 2022 under CAI File No. 01-2022-0016-015A was revalued in accordance with the prevailing market prices as of 13 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partakes in a desk review or a "table appraisal" and is rendered as such.



We investigated local market conditions, and considered the –

Income Approach 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,

Discounted Cash Flow,

Extent, character, and utility of the property, and

Lease / Rental rates of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **THREE BILLION FIFTY-SEVEN MILLION TWO HUNDRED NINETY THOUSAND (Php3,057,290,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**HERNANDO E. GOZON, JR.**

**Real Estate Appraiser**

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

RDM:agd

**CAI File No. 02-2023-0168-003A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-003A

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the previous appraisal report under CAI File No. 01-2022-0016-015A, as of 31 January 2022, the appraised property consists of **a building occupied by Glorietta 1 BPO**, located **at the 5<sup>th</sup> to 10<sup>th</sup> floor of Glorietta 1, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the located on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio delos Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District in Makati, Metro Manila.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati  
Ritz Tower  
Pacific Plaza Condominium  
The Makati Tuscanny  
Discovery Primea

SM Makati, Landmark and Greenbelt serve as the shopping, marketing, and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **III. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) which is approximately 240 meters from the subject condominium building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metro Manila Development Authority (MMDA).

### **V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING**

The property consists of six (6) levels occupied by Glorietta 1 BPO, located on the 5<sup>th</sup> to 10<sup>th</sup> of Glorietta 1, containing a total floor area of 18,769.87 square meters, more or less.

Glorietta 1 BPO is of reinforced concrete frame on foundation, plaster cement finished concrete hollow block walls and partitions, exposed soffit slab, gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; fiber cement board, laminated gypsum board, and glass panel partitions; glass on powder coated frame windows; PVC partly with glass, wood panel, metal and glass on aluminum frame doors; and ceramic tile, carpet tile, and epoxy paint finished concrete floors.

This is painted and provided with electrical, firefighting equipment, and plumbing facilities. Based on the list provided by the client, the gross leasable area is approximately 18,769.87 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
5 <sup>th</sup>	3,016.40
6 <sup>th</sup>	3,159.37
7 <sup>th</sup>	3,150.63
8 <sup>th</sup>	3,143.47
9 <sup>th</sup>	3,149.70
10 <sup>th</sup>	3,150.30
<b>Total - 18,769.87 sq.m.</b>	

Estimated remaining economic life is 30 years.

## **VI. DESCRIPTION OF THE SUBJECT BUILDING**

### **Glorietta**

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

## **VII. VALUATION**

The **Income Approach** 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 different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property. or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

GLORIETTA 1 BPO												
DISCOUNTED CASH FLOW VALUATION (DCF)		1	2	3	4	5	6	7	8	9	10	
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terminal Value
		FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		273,427,182	312,203,103	326,723,492	342,512,172	359,075,402	363,231,222	373,884,232	384,843,338	396,117,052	407,714,111	
Less: Expense		122,768,730	135,713,457	138,079,950	142,510,688	148,196,797	149,818,278	153,542,487	157,414,401	161,402,519	165,510,310	
NET INCOME		150,658,452	176,489,646	188,643,543	200,001,484	210,878,605	213,412,944	220,341,745	227,428,936	234,714,533	242,203,801	
Add back: Depreciation		19,665,708	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	
NCFO		170,324,160	196,215,326	208,369,223	219,727,164	230,604,286	233,138,625	240,067,425	247,154,617	254,440,213	261,929,481	
CAPEX		- 11,530,457	- 13,388,151	- 14,057,585	- 14,760,458	- 15,498,468	- 15,644,153	- 16,113,478	- 16,596,882	- 17,094,789	- 17,607,633	
Net Cash Flow (NCF)		158,793,703	182,827,175	194,311,638	204,966,706	215,105,818	217,494,471	223,953,947	230,557,734	237,345,424	244,321,849	4,085,252,000
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		155,348,000.00	163,850,000.00	159,530,000.00	154,155,000.00	148,208,000.00	137,283,000.00	129,490,000.00	122,126,000.00	115,184,000.00	108,601,000.00	1,663,515,000
NET PRESENT VALUE (NPV) @ 9.16% WACC	3,057,290,000											
Market Value (Php)	3,057,290,000											

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT FUND MANAGERS, INC.***

### **Glorietta 2 BPO**

Located in  
**Barangay San Lorenzo**  
**Makati City, Metro Manila**



06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 02-2023-0168-004A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted a desk review appraisal of certain real property exhibited to us by **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) as of **16 February 2023**.

The appraised property consists of a **building of Glorietta 2 BPO**, located at the **5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Terms used herein are defined as follows:

**Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

**Desk Review** is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 21 January 2022 under CAI File No. 01-2022-0016-0016 was revalued in accordance with the prevailing market prices as of 16 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partakes the nature of a desk review or a "table appraisal" and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach 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,

Discounted Cash Flow Analysis,

Lease / Rent rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **THREE BILLION TWO HUNDRED THIRTY-FOUR MILLION SIX HUNDRED EIGHTY-FIVE THOUSAND (Php3,234,685,000) PESOS.**


We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**HERNANDO E. GOZON, JR.**

**Real Estate Appraiser**

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

RDM:agd

CAI File No. 02-2023-0168-004A

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-004A

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers a desk review appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the previous appraisal report with CAI File No. 01-2022-0016-0016 as of 31 January 2022, the appraised property is a building, located **at the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the located on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio delos Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The Ayala Center is a major commercial development operated by Ayala Land located in the Makati Central Business District in Makati, Metro Manila.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati  
Ritz Tower  
Pacific Plaza Condominium  
The Makati Tuscanny  
Discovery Primea

SM Makati, Landmark and Greenbelt serve as the shopping, marketing and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING**

The property is a building located on the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2 - BPO, containing a total floor area of 21,256.23 square meters, more or less.

This portion of the building is being leased by BPOs, with interior finishes technically described as follows:

##### **5<sup>th</sup> Floor**

Interior finishes consist of exposed soffit slab ceiling, cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame with decorative wood plank and brick tile finished partitions; fixed glass and glass on powder coated frame windows; PVC panel, glass panel and glass on frameless doors; and partly ceramic tile and mainly carpet tile finished concrete floor.

##### **6<sup>th</sup> to 10<sup>th</sup> Floors**

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

**11<sup>th</sup> Floor**

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceiling; cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

These units are painted and provided with electrical lighting, firefighting, and plumbing facilities. Total floor area is approximately 21,256.23 square meters, allocated as follows:

<b>Floor Level</b>	<b>Area (sq.m.)</b>
5 <sup>th</sup>	3,037.23
6 <sup>th</sup>	3,042.00
7 <sup>th</sup>	3,040.00
8 <sup>th</sup>	3,038.00
9 <sup>th</sup>	3,037.00
10 <sup>th</sup>	3,033.00
11 <sup>th</sup>	3,029.00
<b>Total - 21,256.23 sq.m.</b>	

Estimated remaining economic life is 30 years.

**VI. DESCRIPTION OF THE BUILDING****Glorietta 2**

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta 2 occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

**VII. VALUATION**

The **Income Approach** 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 different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

**Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.



### Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

GLORIETTA 2 BPO												
DISCOUNTED CASH FLOW (DCF) VALUATION												
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terminal Value
		FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		320,375,473	336,433,392	351,657,569	367,596,452	384,283,535	395,666,818	407,382,530	419,440,167	431,849,487	444,620,516	
Less: Expense		143,607,601	149,292,486	154,791,942	160,539,231	166,554,837	170,827,104	175,203,641	179,716,887	184,371,177	189,170,989	
NET INCOME		176,767,872	187,140,905	196,865,627	207,057,221	217,728,698	224,839,714	232,178,889	239,723,280	247,478,309	255,449,526	
Add back: Depreciation		21,373,762	21,377,523	21,444,181	21,512,839	21,583,557	21,583,557	21,583,557	21,583,557	21,583,557	21,583,557	
NCFO		198,141,633	208,518,428	218,309,808	228,570,061	239,312,255	246,423,271	253,762,446	261,306,837	269,061,867	277,033,084	
Less: CAPEX		13,850,953	14,567,881	15,239,440	15,942,882	16,679,703	17,180,095	17,695,497	18,226,362	18,773,153	19,336,348	
NCF		184,290,681	193,950,547	203,070,368	212,627,179	222,632,551	229,243,177	236,066,949	243,080,475	250,288,713	257,696,736	4,308,890,000
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		180,291,572.83	173,818,480.40	166,720,772.40	159,916,901.36	153,393,827.84	144,698,293.18	136,493,909.77	128,759,727.62	121,465,112.63	114,546,199.04	1,754,580,008
NET PRESENT VALUE (NPV) @ 9.16% WACC	3,234,684,805											
Market Value (Php)	3,234,685,000											

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT FUND MANAGERS, INC.***

### **Glorietta 1 and 2 Mall**

Located in  
**Ayala Center**  
**Makati City, Metro Manila**

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

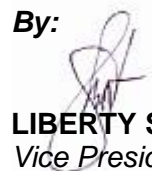
**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 02-2023-0168-005A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted a desk review appraisal of certain real property exhibited to us by **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) as of **16 February 2023**.

The appraised property consists of **building of the Glorietta 1 and 2 Mall**, located in **Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Terms used herein are defined as follows:

**Market Value** is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

**Desk Review** is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 19 March 2021 under CAI File No. 11-2020-0528-023A1 was revalued in accordance with the prevailing market prices as of 16 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partakes in the nature of a desk review or a "table appraisal" and is rendered as such.

We investigated local market condition, and gave consideration to the --

Income Approach 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,

Discounted Cash Flow,

Lease/Rental rates of the property, and

Extent, character, and utility of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably represented in the amount of **THREE BILLION FIVE HUNDRED FOUR MILLION TWENTY SIX THOUSAND (Php3,504,026,000) PESOS**.

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,  
**CUERVO APPRAISERS, INC.**

**By:**

  
**HERNANDO E. GOZON, JR.**  
**Real Estate Appraiser**

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

RDM:agd

**CAI File No. 02-2023-0168-005A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 02-2023-0168-005A**



## NARRATIVE REPORT

### ***I. GENERAL***

This report covers a desk review appraisal of certain real property located in Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the previous appraisal report with CAI File No. 11-2020-0528-023AC and BC as of 19 March 2021, the appraised property is the **Glorietta 1 & 2 Mall**, located in **Glorietta Shopping Mall Complex, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Glorietta Shopping Mall Complex is bounded by Office Drive on the northeast; Courtyard Drive and East Street on the southeast; Palm Drive on the southwest; and West Street and Parkway Drive on the northwest. This complex is located approximately 120 meters northeast from Antonio S. Arnaiz Avenue; 300 meters southwest from Ayala Avenue; and about 600 meters northwest from the intersection of Epifanio delos Santos Avenue (EDSA) and Ayala Avenue.

Office Drive, Courtyard Drive, East Street, Palm Drive, West Street and Parkway Drive are 15 meters wide, concrete-paved with asphalt overlay and provided with concrete curbs and gutters, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in The Ayala Center, a major commercial development operated by Ayala Land located in the Makati Central Business District in Makati.

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 10 to 50 meters and lighted with streetlamps.

Some of the improvements in the vicinity are --

- SM City - Makati
- Pacific Plaza Condominium
- The Landmark
- Greenbelt
- Pacific Plaza Condominium
- Ritz Towers
- Makati Shangri-La

Ayala Center serves the shopping needs of the residents in the area. These is accessible from Ayala Avenue by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Makati City, as well as Metro Manila is available along Ayala Avenue which is 120 meters from the shopping mall complex. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. LAND DATA**

Based on previous appraisal report, and as per client information on the complex area, the whole shopping complex where the subject building lies has a total land area of 250,000-square meter, more or less.

Attached is a copy of the site development plan of the property as plotted based on the previous report. As shown, the site of the shopping mall complex is bounded by Office Drive on the northeast; Courtyard Drive and East Street on the southeast; Palm Drive on the southwest; and West Street and Parkway Drive on the northwest.

The terrain of the land is flat, and above the grade of the fronting avenues.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds, since it is not included in the assignment.

**Government Assessment**

BIR Zonal Value of Real Property within Barangay San Lorenzo (Legaspi Village), Makati City per Department Order No. 037-2021, effective 22 December 2021:

Street Name	Vicinity	Classification	7th Revision Zonal Value (Php/sq.m.)
East Drive	Ayala Center	Commercial	750,000

**VI. DESCRIPTION OF THE BUILDINGS****Glorietta Shopping Malls (Glorietta 1 to 5)**

Glorietta 1,2, 3 and 5 are three (3)-storey integrated malls, except for Glorietta 4 which is five(5) storey mall, of reinforced concrete-framed building with basement parking and roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing with water proofing membrane; fibered cement board, steel panel, aluminum panel and acoustic board on aluminum T-runner ceilings; cement plastered concrete hollow block partly with granite tile finish partly gypsum board with aluminum composite panel cladding interior walls; cement plastered concrete hollow block and aluminum composite panel exterior walls; cement plastered concrete hollow block, fixed tampered glass and glass on aluminum frame partitions; glass on aluminum powder coated and steel louver windows; steel plate, wood panel. plywood flush, metal flush, frameless glass and glass on aluminum powder coated doors; granite, glazed, vinyl and ceramic tiles, and plain cement on epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, elevators, escalators, firefighting equipment, standby generator set and centralized air conditioning.

The total floor area of Glorietta 1 to 5 Malls is approximately 199,648 square meters.

Note: Only Glorietta 1 and 2 were considered in the discounted cash flow analysis valuation.

**VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

The **Income Approach** 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 different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

GLORIETTA 1 & 2 MALL												
DISCOUNTED CASH FLOW VALUATION (DCF)												
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		259,775,931	266,270,330	272,927,088	279,750,265	286,744,022	293,912,622	301,260,438	308,791,949	316,511,747	324,424,541	
Less: Expenses		94,323,337	95,056,798	95,808,596	96,579,189	97,369,046	98,178,650	99,008,494	99,859,084	100,730,939	101,624,590	
NET INCOME		165,452,594	171,213,531	177,118,492	183,171,076	189,374,976	195,733,972	202,251,944	208,932,865	215,780,809	222,799,951	
Add back: Depreciation		61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	
NCFO		226,924,487	232,685,424	238,590,385	244,642,969	250,846,869	257,205,865	263,723,837	270,404,758	277,252,702	284,271,844	
Less: CAPEX		(7,793,278)	(7,988,110)	(8,187,813)	(8,392,508)	(8,602,321)	(8,817,379)	(9,037,813)	(9,263,758)	(9,495,352)	- 9,732,736	
NCF		219,131,209	224,697,314	230,402,572	236,250,461	242,244,548	248,388,487	254,686,024	261,140,999	267,757,349	274,539,108	4,568,223,797
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		214,376,000	201,374,000	189,161,000	177,684,000	166,906,000	156,783,000	147,259,000	138,326,000	129,943,000	122,033,000.00	1,860,181,000
NET PRESENT VALUE (NPV) @ 9.16% WACC	3,504,026,000											
Market Value (Php)	3,504,026,000											

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT FUND MANAGERS, INC.***

### **One Ayala West Tower**

Located in  
**Barangay San Lorenzo  
Makati City, Metro Manila**

06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig



06 March 2023

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 02-2023-0168A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) as of **16 February 2023**.

The appraised property consists of **a building (One Ayala West Tower)**, located at **the 6<sup>th</sup> to 22<sup>nd</sup> floors of One Ayala West Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value** is defined as-

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach as a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease / Rental rates of the property, and

Extent, character, and utility of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **FOUR BILLION NINE HUNDRED NINETY-FOUR MILLION SIXTY-THREE THOUSAND (Php4,994,063,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**HERNANDO E. GOZON, JR.**  
**Real Estate Appraiser**  
PRC Registration Number: 0000231  
Valid Until: 10/17/2024  
IPREA Membership No. 848  
PTR No. 4048006D  
09 January 2023  
City of Quezon

GYD:agd

CAI File No. 02-2023-0168A

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 02-2023-0168A**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property consists of **a building**, located **at the 6<sup>th</sup> to 22<sup>nd</sup> floor of One Ayala West Tower, along Ayala Avenue corner Epifanio delos Santos Avenue (EDSA), within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

One Ayala Avenue is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio delos Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio Delos Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio Delos Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio delos Santos Avenue (EDSA) is 50 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

SM City Makati  
MRT – Ayala Station  
Glorietta  
Twin Towers  
Pacific Plaza Condominium  
The Ritz Towers  
Rustan's Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing need of the residents in the area are available within the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### III. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available in the subject building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

### V. DESCRIPTION OF THE SUBJECT BUILDING

Based on the list provided to us by the client, the appraised property is a building, located at the 6<sup>th</sup> to 22<sup>nd</sup> of the One Ayala West Tower, containing a total floor area of 41,083 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as under:

WEST TOWER	Multi-Tenant					Zoning
	Total					
L6	1,023.11	427.44	595.67	-	-	LZ
L7	1,881.57	395.42	595.75	377.67	512.73	LZ
L8	1,990.87	395.42	521.82	551.49	522.13	LZ
L9	1,990.87	395.42	521.82	551.49	522.13	LZ
L10	1,990.87	395.42	521.82	551.49	522.13	LZ
L11	1,990.87	395.42	521.82	551.49	522.13	LZ
L12	1,990.87	395.42	521.82	551.49	522.13	LZ
L14	1,990.87	395.42	521.82	551.49	522.13	LZ

WEST TOWER	Multi-Tenant					Zoning
	Total					
L15	1,990.87	395.42	521.82	551.49	522.13	HZ
L16	1,929.94	395.42	478.78	533.60	522.13	HZ
L17	2,038.06	395.42	566.44	554.07	522.13	HZ
L18	2,038.06	395.42	566.44	554.07	522.13	HZ
L19	2,038.06	395.42	566.44	554.07	522.13	HZ
L20	2,038.06	395.42	566.44	554.07	522.13	HZ
L21	2,038.06	395.42	566.44	554.07	522.13	HZ
L22	2,038.06	395.42	566.44	554.07	522.13	HZ
<b>TOTAL</b>	<b>30,999.07</b>					

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds, since it is not included in the assignment.

## **VI. DESCRIPTION OF THE SUBJECT PORTION OF THE BUILDING**

### **One Ayala West Tower 1**

The property is One Ayala West Tower, which is sixteen (16)-storey of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement and roof deck, of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum board ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area is located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by twelve (12) passenger and one (1) service elevators. The total gross floor area for West Tower is reportedly 41,082.96 square meters.

The building considered in this valuation is used as offices (BPO) from 6th to 22nd floors.

## **VII. VALUATION**

The **Income Approach** 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 different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:



ONE AYALA WEST TOWER													
DISCOUNTED CASH FLOW VALUATION (DCF)													
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terminal Value
			FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES			475,368,091	519,806,723	545,820,106	575,697,833	601,654,752	597,917,471	616,464,625	635,592,578	655,319,730	675,665,072	
Less: Expenses			262,831,736	278,864,112	287,804,958	297,787,572	306,911,344	306,181,778	312,709,439	319,570,836	326,650,614	333,955,828	
NET INCOME AFTER TAX			212,536,355	240,942,612	258,015,148	277,910,260	294,743,408	291,735,693	303,755,186	316,021,742	328,669,116	341,709,245	-
Add back: Depreciation			82,493,401	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	
NCFO			295,029,756	323,448,513	340,521,049	360,416,161	377,249,309	374,241,595	386,261,087	398,527,643	411,175,017	424,215,146	
CAPEX			- 12,996,245	- 14,281,159	- 14,897,633	- 15,580,025	- 16,291,096	- 26,847,727	- 27,653,159	- 28,482,753	- 29,337,236	- 30,217,353	
NCF			282,033,511	309,167,354	325,623,416	344,836,136	360,958,213	347,393,868	358,607,929	370,044,890	381,837,781	393,997,793	6,587,950,000
PV factor			0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF			275,913,383.68	277,075,782.44	267,336,824.69	259,351,258.09	248,700,208.51	219,275,009.35	207,347,104.31	196,012,778.31	185,305,875.28	175,132,018.92	2,682,613,000
NPV @ 9.16% WACC			4,994,063,244										
Market Value (Php)			4,994,063,000										

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SHERISA P. NUESA**, Filipino, of legal age and a resident of \_\_\_\_\_, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **AREIT, Inc.** (the "Corporation") for its Annual Stockholders' Meeting on April 26, 2023.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Integrated Micro-Electronics, inc.	Independent Director	April 13, 2018 to date
Ayala Land, Inc.	Independent Director	April 2020 to date
ACEN Corporation	Independent Director	September 2019 to date
Manila Water Company, Inc.	Independent Director	April 2013 to date
Far Eastern University, Inc.	Director	August 2010 to date
FERN Realty Corporation	Director	August 2012 to date
Metro Retail Stores Group, Inc.	Senior Board Adviser	August 2015 to date
Vicsal Development Corporation	Senior Board Adviser	March 2012 to date
Justice Reform Initiative (JRI)	Board Trustee	May 2017 to date
NextGen Organization of Women Corporate Directors	Vice President, Board Trustee	September 2021 to date

I am not affiliated with any of Government-Owned and Controlled Corporation.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
N.A.		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 28 2023 at MAKATI CITY.


  
**SHERISA P. NUESA**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 28 2023 at MAKATI CITY,  
affiant personally appeared before me and exhibited to me her Passport No. \_\_\_\_\_

Doc No. 38;  
Page No. 77;  
Book No. XXVII;  
Series of 2023.

Notarial DST pursuant to Sec. 61  
of the TRAIN Act (amending  
Sec. 188 of the NIRC)  
affixed on Notary Public's copy.



  
**MARIA PAULA G. ROMERO-BAUTISTA**  
Notary Public - Makati City  
Appt. No. M-019 until December 31, 2023  
Roll of Attorneys No. 58335  
IBP No. 264594 - 01/03/2023 - Makati City  
PTR No. 9566341MM - 01/03/2023 - Makati City  
MCLE Compliance No. VII-0020268 - 06/02/2022  
4<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, Omar T. Cruz Filipino, of legal age and a resident of \_\_\_\_\_  
after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of AREIT, Inc. for its Annual Stockholders' Meeting on April 26, 2023 and have been its independent director since April 12, 2019.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
CRUZ-FABZ FOOD CORP	President & Chairman	2019-present
ABACORE Capital Holdings, Inc.	Independent Director	2019-present
De La Salle Philippines	Investment Committee Chairman	2018-present
Financial Executives Institute of the Philippines (FINEX)	Board of Directors, Member	2016-present
University of Asia and the Pacific	Vice Chairman of the Board of Trustees and Board Executive Committee Member	2016-present
Philippine National Police Foundation Inc.	Trustee	2016-present
Center for Research and Communication Foundation Inc.	Vice Chairman of the Board of Trustees and Board Executive Committee Member	2016-present
Philippine Regional Investment Development Corp	Independent Director	2019-present
Abacus Global Technovisions Corp.	Independent Director	2019-present
RCBC Capital Corporation	Independent Director	2021-present
Toyota Philippines Financial Services, Inc.	Independent Director	2021-present

I am not affiliated with any of Government-Owned and Controlled Corporation.

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of AREIT, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the director/officer/substantial shareholder of AREIT, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.



6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
7. I shall inform the Corporate Secretary of AREIT, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this \_\_\_\_\_ day of MAR 23 2023, at MAKATI CITY.


  
**OMAR T. CRUZ**  
Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of MAR 23 2023 at MAKATI CITY,  
affiant personally appeared before me and exhibited to me his \_\_\_\_\_ issued on  
DECEMBER 10, 2014 at PHILIPPINES.

Doc. No. 329 ;  
Page No. 66 ;  
Book No. XXXVIII ;  
Series of 2023.

Notarial DST pursuant to Sec. 61  
of the TRAIN Act (amending  
Sec. 188 of the NIRC)  
Based on Notary Public's copy.



  
**MARIA PAULA G. ROMERO-BAUTISTA**  
Notary Public - Makati City  
Appt. No. M-079 until December 31, 2023  
Roll of Attorneys No. 58335  
IBP No. 264594 - 01/03/2023 - Makati City  
PTR No. 9566341MM - 01/03/2023 - Makati City  
MCLE Compliance No. VII-0020268 - 06/02/2022  
4<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Enrico S. Cruz**, Filipino, of legal age and a resident of \_\_\_\_\_ after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **AREIT, Inc.** (the “**Corporation**”) for its Annual Stockholders’ Meeting on April 26, 2023 and have been its independent director since February 5, 2020.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Security Bank Corporation	Independent Director	Aug. 1, 2019 to present
Maxicare Healthcare Corporation	Independent Director	Aug.14, 2019 to present
SB Capital Corporation	Vice Chairman/ Independent Director	May 2020 to present
CIBI Information Inc	Independent Director	July 2020 to present
The Keepers Holdings, Inc.	Independent Director	Nov 2020 to present
DITO CME Holdings, Inc.	Independent Director	Dec 2021 to present
Robinsons Retail Holdings, Inc	Independent Director	April 2022 to present
MAXILIFE Insurance Corporation	Independent Director	July 2022 to present

I am not affiliated with any of Government-Owned and Controlled Corporation.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N.A.		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.


Done, this \_\_\_\_\_ day of MAR 23 2023, at MAKATI CITY.

  
**ENRICO S. CRUZ**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 23 2023 day of MAKATI CITY at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his \_\_\_\_\_ issued at AUGUST 4, 2021 on DFA NCR NORTH.

Doc. No. 324 ;  
Page No. 66 ;  
Book No. XXXVIII ;  
Series of 2023.



  
**MARIA PAULA G. ROMERO-BAUTISTA**  
Notary Public - Makati City  
Appt. No. M-079 until December 31, 2023  
Roll of Attorneys No. 58335  
IBP No. 264594 - 01/03/2023 - Makati City  
PTR No. 9566341MM - 01/03/2023 - Makati City  
MCLE Compliance No. VII-0020268 - 06/02/2022  
4<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

Notarial DST pursuant to Sec. 61  
of the TRAIN Act (amending  
Sec. 188 of the NIRC)  
affixed on Notary Public's copy.





## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of AREIT, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**JOSE EMMANUEL H. JALANDONI**  
Chairman, Board of Directors

**CAROL T. MILLS**  
President & Chief Executive Officer

**MA. TERESA R. FAMY**  
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 27 2023 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name  
Jose Emmanuel H. Jalandoni  
Carol T. Mills  
Ma. Teresa R. Famy

Date & Place of Issue  
June 15, 2021 – DFA Manila  
December 17, 201 – DFA NCR South  
January 25, 2022 – DFA Manila

**MARIA PAULA G. ROMERO-BAUTISTA**  
Notary Public - Makati City  
Appt. No. M-079 until December 31, 2023  
Roll of Attorneys No. 58335  
IBP No. 264594 - 01/03/2023 - Makati City  
PTR No. 9566341MM - 01/03/2023 - Makati City  
MCLE Compliance No. VII-0020268 - 06/02/2022  
4<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

Doc. No. 177 ;  
Page No. 37 ;  
Book No. xxxvii ;  
Series of 2023.

Notarial DST pursuant to Sec. 61  
of the TRAIN Act (amending  
Sec. 188 of the NIRC)  
affixed on Notary Public's copy.





# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	6	1	3	8	7	0
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COMPANY NAME

[illegible]

PRINCIPAL OFFICE( No. / Street / Barangay / City / Town / Province )

[illegible]

Form Type

A	A	F	S
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

corporateservices@aglegal.com.ph

Company's Telephone Number

**(02) 7908-3804**

Mobile Number

	N/A
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No. of Stockholders

18

Annual Meeting (Month / Day)

4/21

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

**Ma. Teresa R. Famy**

Email Address

**famy.myrra@ayalaland.com.ph**

Telephone Number/s

Telephone Number/s

Mobile Number

Website Number	N/A
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## CONTACT PERSON'S ADDRESS

**28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City**

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated. **2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors  
AREIT, Inc.  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

### Opinion

We have audited the financial statements of AREIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



### ***Valuation of Investment Properties***

The Company owns and operates investment properties located in Luzon and Visayas which comprise 89.9% of its total assets as of December 31, 2022. The investment properties are accounted for under the fair value method and the valuations were carried out by the management and an external valuer.

We identified the valuation of investment properties account as a key audit matter because it is material to the financial statements and the determination of the fair values of these properties involves significant judgment and estimation by the management and external valuer. They apply key assumptions for discount rates, growth rates and free cash flows, which are influenced by the prevailing market rates and comparable information.

The Company's disclosures about investment properties are included in Note 7 to the financial statements.

### ***Audit Response***

We evaluated the reasonableness of the fair value computations, valuation methodology adopted and the underlying assumptions in connection with the valuations of investment properties of the Company as of December 31, 2022. These key assumptions include discount rates, growth rates and free cash flows. In addition, we assessed whether the discount rates used are within the acceptable range with the assistance from our internal valuation specialist and performed a certain sensitivity analysis. We evaluated the competence and independence of the external valuer engaged by the Company. We also assessed the sufficiency of disclosures in the financial statements.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.



## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.





- 4 -

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear in our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of AREIT, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Antoniette L. Aldea.

SYCIP GORRES VELAYO & CO.

*Maria Antoniette L. Aldea*

Maria Antoniette L. Aldea

Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

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

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 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. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564643, January 3, 2023, Makati City

February 24, 2023



**AREIT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 4 and 21)	<b>₱62,753,382</b>	₱92,010,744
Receivables (Notes 5, 20 and 21)	<b>1,919,183,751</b>	1,320,940,578
Other current assets (Notes 6 and 21)	<b>155,825,886</b>	110,291,205
Total Current Assets	<b>2,137,763,019</b>	1,523,242,527
<b>Noncurrent Assets</b>		
Noncurrent portion of receivables (Notes 5 and 21)	<b>2,986,455,069</b>	3,063,077,918
Investment properties (Note 7)	<b>60,871,459,005</b>	50,081,060,761
Property and equipment (Note 8)	<b>598,631</b>	309,716
Other noncurrent assets (Note 6)	<b>1,689,713,043</b>	1,835,836,322
Total Noncurrent Assets	<b>65,548,225,748</b>	54,980,284,717
	<b>₱67,685,988,767</b>	₱56,503,527,244
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 9 and 21)	<b>₱1,065,080,572</b>	₱530,622,799
Short-term debt (Notes 10 and 21)	<b>300,000,000</b>	890,000,000
Current portion of long-term debt (Notes 10 and 21)	<b>2,977,693,930</b>	–
Current portion of deposits and other liabilities (Notes 12 and 21)	<b>527,675,373</b>	735,086,847
Current portion of lease liability (Note 18)	<b>50,290,868</b>	42,967,375
Construction bonds (Note 11)	<b>98,584,276</b>	58,579,640
Total Current Liabilities	<b>5,019,325,019</b>	2,257,256,661
<b>Noncurrent Liabilities</b>		
Long-term debt (Note 10)	–	2,957,472,367
Deposits and other liabilities, net of current portion (Notes 12 and 21)	<b>1,457,484,429</b>	1,290,194,773
Lease liability - net of current portion (Note 18)	<b>1,136,289,490</b>	1,111,013,455
Total Noncurrent Liabilities	<b>2,593,773,919</b>	5,358,680,595
Total Liabilities	<b>7,613,098,938</b>	7,615,937,256
<b>Equity (Note 13)</b>		
Paid-up capital	<b>18,283,771,630</b>	15,762,407,800
Treasury shares	<b>(673,299,700)</b>	(673,299,700)
Additional paid-in capital	<b>20,021,645,532</b>	11,333,074,693
Retained earnings	<b>22,440,772,367</b>	22,465,407,195
Total Equity	<b>60,072,889,829</b>	48,887,589,988
	<b>₱67,685,988,767</b>	₱56,503,527,244

See accompanying Notes to Financial Statements.



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

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>REVENUE</b>			
Rental income (Notes 7, 14 and 18)	<b>₱3,807,533,243</b>	₱2,506,910,928	₱1,495,723,891
Dues (Notes 7 and 15)	<b>1,042,991,455</b>	621,005,658	389,381,503
Interest income from finance lease receivables (Notes 15 and 18)	<b>222,321,826</b>	188,547,234	150,814,117
	<b>5,072,846,524</b>	3,316,463,820	2,035,919,511
<b>NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES (Note 7)</b>	<b>(548,953,984)</b>	164,502,279	1,424,645,596
<b>COSTS AND EXPENSES</b>			
Direct operating expenses (Notes 7 and 17)	<b>1,359,803,642</b>	815,866,427	444,066,931
General and administrative expenses (Note 17)	<b>79,490,176</b>	103,397,784	49,474,313
	<b>1,439,293,818</b>	919,264,211	493,541,244
<b>OTHER INCOME (CHARGES) – Net</b>			
Interest income (Notes 4, 16 and 20)	<b>34,332,442</b>	7,208,646	78,670,585
Interest expense and other charges (Notes 10, 12 and 17)	<b>(231,243,666)</b>	(185,459,737)	(65,419,126)
Gain under finance lease (Note 18)	<b>–</b>	49,763,675	–
Other income (Note 16)	<b>–</b>	101,034	3,660,620
	<b>(196,911,224)</b>	(128,386,382)	16,912,079
<b>INCOME BEFORE INCOME TAX</b>	<b>2,887,687,498</b>	2,433,315,506	2,983,935,942
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)</b>	<b>124,462</b>	48,466	(3,280,878,846)
<b>NET INCOME</b>	<b>2,887,563,036</b>	2,433,267,040	6,264,814,788
<b>OTHER COMPREHENSIVE INCOME</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱2,887,563,036</b>	₱2,433,267,040	₱6,264,814,788
<b>Basic/Diluted Earnings Per Share (Note 22)</b>	<b>₱1.91</b>	₱1.64	₱6.29

See accompanying Notes to Financial Statements.



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

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>PAID-UP CAPITAL (Note 13)</b>			
<b>Common Shares - ₱10 par value</b>			
Balance at beginning of year	<b>₱15,762,407,800</b>	₱10,929,864,050	₱10,451,224,050
Issuance of new shares	<b>2,521,363,830</b>	4,832,543,750	478,640,000
Balance at end of year	<b>18,283,771,630</b>	15,762,407,800	10,929,864,050
<b>ADDITIONAL PAID-IN CAPITAL (Note 13)</b>			
Balance at beginning of year	<b>11,333,074,693</b>	785,681,404	–
Issuance of new shares	<b>8,736,525,671</b>	10,583,270,809	813,688,001
Share issuance costs	<b>(47,954,832)</b>	(35,877,520)	(28,006,597)
Balance at end of year	<b>20,021,645,532</b>	11,333,074,693	785,681,404
<b>TREASURY SHARES (Note 13)</b>			
Balance at beginning and end of year	<b>(673,299,700)</b>	(673,299,700)	(673,299,700)
<b>RETAINED EARNINGS (Note 13)</b>			
Balance at beginning of year	<b>22,465,407,195</b>	21,765,499,530	16,454,545,227
Total comprehensive income/Net income	<b>2,887,563,036</b>	2,433,267,040	6,264,814,788
Cash dividends	<b>(2,912,197,864)</b>	(1,733,359,375)	(953,860,485)
Balance at end of year	<b>22,440,772,367</b>	22,465,407,195	21,765,499,530
	<b>₱60,072,889,829</b>	₱48,887,589,988	₱32,807,745,284

*See accompanying Notes to Financial Statements.*





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

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱2,887,687,498</b>	₱2,433,315,506	₱2,983,935,942
Adjustments for:			
Net fair value change in investment properties (Note 7)	<b>548,953,984</b>	(164,502,279)	(1,424,645,596)
Depreciation and amortization (Notes 8 and 17)	<b>90,634</b>	42,043	8,036
Interest expense (Notes 10, 12 and 17)	<b>208,368,633</b>	169,820,104	65,419,126
Gain under finance lease (Note 16 and 18)	<b>–</b>	(49,763,675)	–
Interest income from finance lease receivables (Notes 16 and 21)	<b>(222,321,826)</b>	(188,547,234)	(150,814,117)
Interest income (Notes 4, 16 and 20)	<b>(34,332,442)</b>	(7,208,646)	(78,670,585)
Operating income before working capital changes	<b>3,388,446,481</b>	2,193,155,819	1,395,232,806
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	<b>(340,416,374)</b>	(683,376,821)	(90,137,357)
Other assets	<b>120,810,161</b>	(717,596,933)	(157,314,963)
Increase (decrease) in:			
Accounts and other payables	<b>534,464,896</b>	15,789,571	280,552,617
Deposits and other liabilities	<b>(66,409,250)</b>	1,148,320,226	71,237,355
Construction bonds	<b>40,004,636</b>	58,579,640	(11,105,498)
Cash generated from operations	<b>3,676,900,550</b>	2,014,871,502	1,488,464,960
Interest received	<b>256,654,268</b>	195,755,880	229,484,702
Income tax paid	<b>(124,462)</b>	(48,466)	(190,606,074)
Net cash flows provided by operating activities	<b>3,933,430,356</b>	2,210,578,916	1,527,343,588
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in due from related parties (Note 20)	<b>(181,203,951)</b>	881,900,000	(343,300,000)
Payments for additions to investment properties (Note 7)	<b>(81,462,725)</b>	(5,019,127,301)	(1,483,807,649)
Payments for additions to property and equipment (Note 8)	<b>(379,549)</b>	(339,706)	–
Net cash flows used in investing activities	<b>(263,046,225)</b>	(4,137,567,007)	(1,827,107,649)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of dividends (Note 13)	<b>(2,912,197,864)</b>	(1,733,359,375)	(953,860,485)
Proceeds from short-term debt (Note 10)	<b>300,000,000</b>	34,379,500,000	–
Payments of short-term debt (Note 10)	<b>(890,000,000)</b>	(33,489,500,000)	–
Interest paid	<b>(100,256,144)</b>	(81,036,681)	–
Payment of share issuance cost (Note 13)	<b>(47,954,832)</b>	(35,877,520)	(28,006,597)
Payments of lease liability (Note 18)	<b>(49,232,653)</b>	(37,177,503)	(32,796,936)

(Forward)



	Years Ended December 31		
	2022	2021	2020
Net proceeds from long-term debt	P=	P2,957,472,367	P=
Net proceeds from issuance of shares (Notes 13 and 17)	-	-	1,251,225,020
Net cash flows provided by (used in) financing activities	(3,699,641,493)	1,960,021,288	236,561,002
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(29,257,362)</b>	33,033,197	(63,203,059)
<b>CASH AT BEGINNING OF YEAR</b>	<b>92,010,744</b>	58,977,547	122,180,606
<b>CASH AT END OF YEAR (Note 4)</b>	<b>P62,753,382</b>	<b>P92,010,744</b>	<b>P58,977,547</b>

See accompanying Notes to Financial Statements.



## AREIT, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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 (see Note 20).

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on February 24, 2023.



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## 2. Summary of Significant Accounting Policies

### Basis of 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 (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying 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).

### 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*

#### Current and Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on a current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,



- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Cash

Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial assets*

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at its transaction price.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion). This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVPL)

### Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash in banks, receivables and recoverable deposits.

The Company has no financial assets under FVOCI with or without recycling and FVPL categories.

### *Financial liabilities*

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

### Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.

The Company's financial liabilities include accounts and other payables, security deposits, construction bonds, short-term long-term debt and lease liabilities.



## Derecognition of Financial Instruments

### *Financial asset*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

## Impairment of Financial Assets

The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, were there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate ECL.

For trade receivables and finance lease receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive





the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting arrangements, where the related assets and liabilities are presented at gross in the statement of financial position.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.



#### Other Assets

Other assets include input value-added tax (VAT), creditable withholding taxes, recoverable deposits and advances to contractors.

#### *Input VAT*

Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be refunded subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

#### *Deferred input VAT*

Deferred input VAT represents input VAT on unpaid purchase of goods and/or services.

#### *Creditable withholding taxes*

Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

#### *Recoverable deposits*

Recoverable deposits pertain to various utility deposits. These are measured initially at fair value. After initial recognition, deposits are subsequently measured at amortized cost using the effective interest method.

#### *Advances to contractors*

Advances to contractors are carried at cost less impairment losses, if any.

#### Investment Properties

Investment properties and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "income approach". Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities such as accrued rental income and lease commitments.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, *Revenue from Contracts with Customers*.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the PAS 16, *Property, plant and equipment*, up to the date of change in use.



#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that other current assets and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

#### Deposits and Other Liabilities

Deposits and other liabilities which includes security deposits that are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest method.

The difference between the cash received and its fair value is deferred (included in the "Deferred credits" under "Deposits and Other Liabilities" account in the statement of financial position) and amortized using the straight-line method and recognized as "Amortization of deferred credits" under the "Rental income" account in profit or loss. Accretion of discount is recorded under "Interest expense" account in profit or loss.

#### Equity

##### *Paid-up capital and Additional paid-in capital (APIC)*

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds at the par value is credited to APIC. Direct costs incurred related to equity issuance (share issuance costs) are chargeable to APIC. If APIC is not sufficient, the excess is charged against retained earnings.

##### *Share issuance costs*

Share issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. Costs that relate to the new stock market listing, or otherwise are not incremental costs directly attributable to issuing new shares, are charged to expenses.

##### *Treasury shares*

Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the



excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

*Retained earnings*

Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

Revenue Recognition

The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

*Dues*

Dues are recognized when the related services are rendered. The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and common usage service area (CUSA) charges like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities. Electricity and water dues in excess of actual charges and consumption are recorded as revenue.

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

*Other income*

Other income is recognized when the related services have been rendered and the right to receive payment is established.

*Disaggregated revenue information*

The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 15).

*Allocation of transaction price to performance obligation*

Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.



*Timing of revenue recognition*

Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

*Income outside the scope of PFRS 15*

*Rental income*

Rental income under noncancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

No rental income is recognized when the Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (see Note 18).

*Interest income from finance lease receivables*

Interest income is recognized as it accrues using the EIR method which pertains to the receivable arising from finance lease agreement.

*Interest income*

Interest income is recognized as it accrues using the EIR method.

*Costs and Expenses*

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

*Leases*

*The Company as lessor - operating lease*

Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

*The Company as lessor - finance lease*

A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.



*The Company as lessee*

*Right-of-use asset*

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Company accounts for right-of-use asset using fair value model in accordance with the policy as stated under investment properties. Right-of-use asset are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Income Tax

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.



#### Segment Reporting

The Company's lease operation is its only segment. Financial information on business segment is presented in Note 23 to the financial statements.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### Events After the End of the Reporting Period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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### **3. Summary of Significant Accounting Estimates, Judgments and Assumptions**

The preparation of the accompanying financial statements in compliance with PFRSs requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates, judgments and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

#### *Assessment of the Company being effectively a 'tax-free' entity*

There are entities which are specifically exempt from income tax under the tax rules, and accordingly are not within the scope of PAS 12, *Income Taxes*. For REIT entities, while not formally designated as 'tax-free' under the tax rules, are nevertheless "income tax-free" provided that they meet certain conditions (e.g. listing status, dividend payments, etc.). A REIT entity is required to distribute at least 90% of its annual income as a dividend to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively an "income tax-free" entity.

The Company abides with the provisions of the REIT law and complies with the 90% dividend distribution. The Company has determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it is effectively an "income tax-free" entity. Accordingly, the Company did not recognize deferred taxes after its listing as a REIT entity.



*Determination of whether the Company is acting as a Principal or an Agent*

The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air conditioning, the Company acts as a principal because it retains the right to direct the service provider of air conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air conditioning charges.

*Operating lease commitments - the Company as lessor*

The Company has entered into commercial property leases on its investment property portfolios. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated useful life of the assets.

*Finance lease commitments - the Company as lessor*

The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building, a retail podium of The 30th Commercial Development (The 30th) building and the Vertis Mall. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of these properties to the lessee and accounts for the agreements as finance lease.

*Evaluation whether the acquired set of assets constitute a business*

The Company acquired additional portfolio of investment properties and elected to apply the optional concentration test to determine whether the acquired assets or group of assets constitute a business. The Company has determined that the acquisition is a purchase of asset as the acquisition passed the concentration test due to: (a) the building is considered a single identifiable asset (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset.

See Note 7 for details of the acquired properties in 2022 and 2021 from various parties.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Provision for expected credit losses of trade receivables*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with the impact of current COVID environment and other forward-looking information, as applicable. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.





The amount of ECLs is sensitive to changes in circumstances including COVID impact and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying value of the Company's receivables amounted to ₱4,905.64 million and ₱4,384.02 million as of December 31, 2022 and 2021 respectively, net of allowance for credit losses amounting to ₱60.40 million and ₱37.46 million as of December 31, 2022 and 2021, respectively (see Note 5).

*Evaluating impairment of nonfinancial assets carried at costs*

The Company regularly reviews its nonfinancial asset carried at costs for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends including the impact of COVID. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

As of December 31, 2022 and 2021, the Company's allowance for probable loss on CWT amounted to ₱72.00 million and ₱33.00 million, respectively (see Notes 6 and 17).

The carrying values of the Company's nonfinancial assets follow:

	2022	2021
Input VAT (Note 6)	₱1,185,662,489	₱959,608,313
Deferred input VAT (Note 6)	548,188,358	885,255,771
Creditable withholding taxes (Note 6)	96,644,360	85,587,338
	<b>₱830,495,207</b>	<b>1,930,451,422</b>

*Valuation of investment properties held at fair value*

The Company makes estimates in respect of the fair value of investment properties. The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, capital expenditure requirements, and discount rates that reflect current market conditions and current or recent property investment prices. The property valuations have been prepared based on the information that is available.

Fair value of investment properties amounted to ₱60,871.46 million and ₱50,081.06 million as of December 31, 2022 and 2021, respectively. Net fair value change in investment properties recognized in profit or loss amounted to decrease of ₱548.95 million, increase of ₱164.50 million and increase of ₱1,424.65 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 7).

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#### 4. Cash

This account consists of:

	2022	2021
Cash on hand	₱72,500	₱42,500
Cash in banks	62,680,882	91,968,244
	<b>₱62,753,382</b>	<b>₱92,010,744</b>



Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.85% in 2022 and 2021. Interest income earned from cash in banks amounted to ₱0.62 million, ₱0.24 million and ₱0.36 million in 2022, 2021 and 2020, respectively (see Note 16).

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## 5. Receivables

This account consists of:

	2022	2021
Finance lease receivable (Notes 18, 20 and 21)	<b>₱3,221,146,005</b>	₱3,285,820,422
Due from related parties (Note 20)	<b>1,095,318,852</b>	914,114,901
Trade receivables – billed	<b>647,588,205</b>	220,680,256
Other receivables	<b>1,990,659</b>	858,963
	<b>4,966,043,721</b>	4,421,474,542
Less allowance for credit losses	<b>60,404,901</b>	37,456,046
	<b>4,905,638,820</b>	4,384,018,496
Less noncurrent portion of finance lease receivable	<b>2,986,455,069</b>	3,063,077,918
	<b>₱1,919,183,751</b>	₱1,320,940,578

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

Other receivables pertain to noninterest-bearing advances to employees which are subject to liquidation upon completion of the business transaction.

The movements in allowance for credit losses follows:

	2022	2021
Balance at beginning of year	<b>₱37,456,046</b>	₱14,923,759
Provision (Notes 17 and 21)	<b>22,948,855</b>	22,532,287
Balance at end of year	<b>₱60,404,901</b>	₱37,456,046

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## 6. Other Assets

### Other Current Assets

This account consists of:

	2022	2021
Input VAT	<b>₱141,061,071</b>	₱97,794,584
Recoverable deposits	<b>14,764,815</b>	12,496,621
	<b>₱155,825,886</b>	₱110,291,205

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

Recoverable deposits pertain to various utility deposits.



#### Other Noncurrent Assets

This account consists of:

	2022	2021
Input VAT	<b>₱1,044,601,418</b>	₱861,813,729
Deferred input VAT	<b>548,188,358</b>	885,255,771
Creditable withholding taxes	<b>168,644,360</b>	118,587,338
Advances to contractors	<b>278,907</b>	3,179,484
	<b>1,761,713,043</b>	1,868,836,322
Less allowance for possible losses (Note 17)	<b>72,000,000</b>	33,000,000
	<b>₱1,689,713,043</b>	₱1,835,836,322

The remaining balance of input VAT and deferred input VAT are recoverable in future periods.

Deferred input VAT pertains to input tax on the Company's purchases of goods and services not yet settled during the year which is available for offset against the Company's future output VAT.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable. The Company recognized provision for probable loss on CWT amounting to ₱39.00 million and ₱33.00 million in 2022 and 2021, respectively (see Note 17).

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

#### 7. Investment Properties

	2022	2021
Beginning of the year	<b>₱50,081,060,761</b>	₱29,189,674,985
Acquisitions	<b>11,334,580,967</b>	21,577,487,178
Property under finance lease (Note 18)	-	(886,240,458)
Fair value adjustment	<b>(544,182,723)</b>	200,139,056
	<b>₱60,871,459,005</b>	₱50,081,060,761

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.



On January 5, 2021, the Company entered into a Deed of Absolute Sale with Technopark Land, Inc (TLI), a subsidiary of AC, to acquire 98,179 square meters (sqm) of land for ₱987.98 million, exclusive of VAT. Currently, the acquired parcels of land are being leased out to Integrated Micro-Electronics, Inc. (IMI) for a period of 8 years starting from January 1, 2020 to December 31, 2027. The subject properties are the four (4) parcels of land located at Barrio Biñan, Laguna.

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

On October 7, 2021, SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI, GDI and WVCV and involves six commercial properties namely:

- Vertis North Commercial Development - A mixed-use development located at the heart of Quezon City. It is composed of three (3) office towers with a total GLA of 125,507.39 sq. m. and a retail podium with a GLA of 39,305.76 sq.m.
- Evotech One and Two - Evotech One and Two consists of two (2) office buildings situated in Lakeside Evozone, Nuvali, Laguna. The property caters to the special demands of IT and BPO companies looking to establish themselves in the south of Metro Manila.
- Bacolod Capitol Corporate Center - A five-storey PEZA-accredited corporate center in Bacolod City comprised of 11,313.14 sq. m. of leasable office space.
- Ayala Northpoint Technohub - A two-storey PEZA-accredited technohub in Bacolod City with a GLA of 4,653.50 sq. m. of office space.
- BPI-Philam Life Makati - BPI Philam Life Makati Building is a 32-storey office tower at the intersection of Ayala Avenue and Gil Puyat Avenue. The property-for-share swap transaction covers three (3) condominium office units of the property.
- BPI-Philam Life Alabang - BPI Philam Life Alabang is a corporate center in Madrigal Business Park, Alabang, Muntinlupa City. The Building is a 14-storey corporate center office that caters to all employees, primarily corporate professionals. The property-for-share swap transaction covers six (6) condominium office units of the property.

As of 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.

The following table provides the fair value hierarchy of the Company's investment properties:

**December 31, 2022**

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	December 31, 2022	₱60,871,459,005	₱-	₱-	₱60,871,459,005

**December 31, 2021**

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	June 30, 2021 (Adjusted to December 31, 2021)				
Investment properties	December 31, 2021	₱47,481,880,761	₱-	₱-	₱47,481,880,761
Teleperformance Cebu	December 31, 2021	2,599,180,000	-	-	2,599,180,000
Total		₱50,081,060,761	₱-	₱-	₱50,081,060,761

The components of the net fair value change in investment properties as follows:

	2022	2021	2020
Increase (decrease) in fair value of investment properties	(₱544,182,723)	₱200,139,056	₱1,479,137,317
Straight-line adjustment	17,813,632	(35,636,777)	(47,442,179)
Lease commissions	(22,584,893)	-	(7,049,542)
	(₱548,953,984)	₱164,502,279	₱1,424,645,596

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2022	2021	2020
Rental income (Note 14)	₱3,807,533,243	₱2,506,910,928	₱1,495,723,891
Dues (Note 15)	1,042,991,455	621,005,658	389,381,503
Direct operating expenses (Note 17)	1,359,803,642	815,866,427	444,066,931

There are no items of investment properties that are pledged as security to liabilities as of December 31, 2022 and 2021.

There are no contractual purchase commitments for investment properties as of December 31, 2022 and 2021.



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## 8. Property and Equipment

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	2022	2021
<b>Cost</b>		
Balance at beginning and end of year	<b>₱2,228,578</b>	₱1,888,872
Additions	<b>379,549</b>	339,706
Balance at end of year	<b>2,608,127</b>	2,228,578
<b>Accumulated Depreciation</b>		
Balance at beginning of year	<b>1,918,862</b>	1,876,819
Depreciation (Note 17)	<b>90,634</b>	42,043
Balance at end of year	<b>2,009,496</b>	1,918,862
<b>Net Book Value</b>	<b>₱598,631</b>	₱309,716

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2022 and 2021.

There are no contractual purchase commitments for property and equipment as of December 31, 2022 and 2021.

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## 9. Accounts and Other Payables

This account consists of:

	2022	2021
Due to related parties (Note 21)	<b>₱756,623,441</b>	₱299,429,900
Accrued expenses		
Light and water	<b>41,848,381</b>	22,492,161
Rent	<b>24,956,211</b>	13,413,162
Repairs and maintenance	<b>14,040,220</b>	7,546,168
Others	<b>43,658,602</b>	23,971,364
Taxes payable	<b>90,768,937</b>	61,777,639
Accounts payable	<b>89,098,143</b>	99,045,078
Retention payable	<b>3,188,012</b>	2,041,577
Interest payable	<b>898,625</b>	905,750
	<b>₱1,065,080,572</b>	₱530,622,799

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

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

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15-day to 60-day terms.

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



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**10. Short-term Debt, Interest Payable and Long-term Debt**

This account consists of:

	2022	2021
Short-term loan	<b>₱300,000,000</b>	₱890,000,000
Bonds due on 2023	<b>3,000,000,000</b>	3,000,000,000
	<b>3,300,000,000</b>	3,890,000,000
Less unamortized transaction cost	<b>22,306,070</b>	42,527,633
	<b>3,277,693,930</b>	3,847,472,367
Less current portion	<b>3,277,693,930</b>	890,000,000
	<b>₱-</b>	<b>₱2,957,472,367</b>

In 2022 and 2021, the Company availed short-terms loans payable with different local banks amounting to ₱300.00 million and ₱890.00 million, respectively, which pertains to unsecured and interest bearing 30-day loans with interest rate of 5.5% and 1.95%, respectively.

Interest expense recognized in the statements of comprehensive income amounted to ₱100.25 million and ₱81.94 million for the year ended December 31, 2022 and 2021, (see Note 17; nil in 2020). The remaining unpaid interest amounted to ₱0.90 million and ₱0.91 million as of December 31, 2022 and 2021, respectively.

*Philippine Peso 3-year bonds due 2023*

On December 28, 2021, the Company issued a total of ₱3.00 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 ₱15.00 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 December 31, 2022 and 2022.

Debt issue costs amounted to ₱42.70 million in 2021. Amortization amounted to ₱20.26 million and ₱0.18 million in 2022 and 2021, respectively and included under "Other charges" (see Note 17).

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**11. 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 ₱98.58 million and ₱58.58 million as of December 31, 2022 and 2021, respectively.



## 12. Deposits and Other Liabilities

This account consists of:

	2022	2021
Security deposits (Note 21)	<b>₱1,044,320,392</b>	₱942,749,081
Advance rentals	<b>882,850,489</b>	999,233,922
Deferred credits	<b>57,988,921</b>	83,298,617
	<b>1,985,159,802</b>	2,025,281,620
Less current portion	<b>527,675,373</b>	735,086,847
	<b>₱1,457,484,429</b>	₱1,290,194,773

The current portion of these accounts follows:

	2022	2021
Security deposits (Note 21)	<b>₱273,861,011</b>	₱436,882,890
Advance rentals	<b>235,450,965</b>	286,265,507
Deferred credits	<b>18,363,397</b>	11,938,450
	<b>₱527,675,373</b>	₱735,086,847

### *Security deposits*

Security deposits represent deposits from lessees to secure the 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.

The rollforward of security deposits follows:

	2022	2021
<b>Gross Amount</b>		
Balance at beginning of year	<b>₱1,039,267,466</b>	₱460,762,969
Additions	<b>85,977,166</b>	582,212,828
Refunds	<b>(9,474,286)</b>	(3,708,331)
Balance at end of year	<b>1,115,770,346</b>	1,039,267,466
<b>Unamortized Discount</b>		
Balance at beginning of year	<b>96,518,385</b>	77,554,254
Additions	<b>1,219,002</b>	43,832,274
Accretion (Note 17)	<b>(26,287,433)</b>	(24,868,143)
Balance at end of year	<b>71,449,954</b>	96,518,385
<b>Net Amount</b>	<b>₱1,044,320,392</b>	₱942,749,081

### *Advance rentals*

Advance rentals from lessees represent cash received in advance representing months' rent which will be applied to the last three (3) months' rentals on the related lease contracts.

### *Deferred credits*

Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward of deferred credits follows:

	2022	2021
Balance at beginning of year	<b>₱83,298,617</b>	₱61,932,409
Additions	<b>1,219,002</b>	43,832,274
Amortization (Note 14)	<b>(26,528,698)</b>	(22,466,066)
Balance at end of year	<b>57,988,921</b>	83,298,617
Less current portion	<b>18,363,397</b>	11,938,450
	<b>₱39,625,524</b>	₱71,360,167





### 13. Equity

#### Capital stock

The details of the Company's capital stock as of December 31, 2022 and 2021 follow:

	2022	2021
Authorized	<b>2,950,000,000</b>	2,950,000,000
Par value per share	<b>₱10.00</b>	₱10.00
Issued and outstanding shares	<b>1,761,047,193</b>	1,508,910,810

The changes in the number of common shares follow:

	2022	2021	2020
Authorized number of shares			
Balance at beginning of year at ₱10 par value	<b>2,950,000,000</b>	1,174,000,000	1,174,000,000
Increase in authorized capital stock at ₱10 par value	<b>-</b>	1,776,000,000	-
Balance at end of year	<b>2,950,000,000</b>	2,950,000,000	1,174,000,000
Issued shares			
Balance at beginning of year	<b>1,576,240,780</b>	1,092,986,405	1,045,122,405
Issuance of new shares	<b>252,136,383</b>	483,254,375	47,864,000
Balance at end of year	<b>1,828,377,163</b>	1,576,240,780	1,092,986,405
Treasury shares			
Balance at beginning and end of year	<b>(67,329,970)</b>	(67,329,970)	(67,329,970)
Outstanding	<b>1,761,047,193</b>	1,508,910,810	1,025,656,435

On June 23, 2020, the Company's BOD approved the offer and sale of 47,864,000 common shares out of the unissued portions of the authorized capital stock for initial public offering at an offer price of ₱27 per share.

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

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.

#### Initial Public Offering (IPO)

On July 10, 2020, the SEC rendered effective the Company's REIT Plan and the registration of its 1,092,986,405 common shares.

On July 15, 2020, the Philippine Stock Exchange, Inc. (PSE) approved the application of the Company for the initial listing of its 1,092,986,405 common shares under the Main Board of the PSE, to cover the Company's IPO.

The Company was listed on the Main Board of the PSE on August 13, 2020.



Additional Paid-in Capital (APIC)

In 2020, the Company recorded APIC amounting to ₱785.68 million, net of transaction costs. The Company incurred transaction costs incidental to the IPO that is directly attributable to the issuance or subscription of new shares amounting to ₱28.01 million in 2020.

In 2021, the Company recorded APIC amounting to ₱10,547.39 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 ₱35.88 million in 2021.

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 August 17, 2020, the Company's BOD approved the declaration of cash dividends for the first and second quarter of 2020, of ₱0.28 and ₱0.31 per outstanding common share, respectively, to stockholders on record date as of September 2, 2020 amounting ₱605.14 million. These are paid on September 15, 2020.

On November 17, 2020, the Company's BOD approved the declaration of cash dividends for third quarter of 2020, of ₱0.34 per outstanding common share to stockholders on record date as of December 7, 2020 amounting to ₱348.72 million. The cash dividend was paid on December 17, 2020 to stockholders.

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

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

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

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

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

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



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 paid on November 10, 2022, to stockholders.

#### 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 make adjustments to it, in light of changes in economic conditions.

The Company's sources of capital as of December 31, 2022 and 2021 follow:

	2022	2021
Paid-up capital	<b>₱18,283,771,630</b>	₱15,762,407,800
Additional paid-in capital	<b>20,021,645,532</b>	11,333,074,693
Treasury shares	<b>(673,299,700)</b>	(673,299,700)
Retained earnings	<b>22,440,772,367</b>	22,465,407,195
	<b>₱60,072,889,829</b>	₱48,887,589,988

The Company is subject to externally imposed capital requirements from its debt covenants and the requirement of the REIT law section 8.10: *Aggregate Leverage Limit* (see Note 10). As of December 31, 2022 and 2021, the Company is compliant with its debt covenants and requirements. Other than this, there are no changes made in the Company's capital management objectives, policies or processes in 2022, 2021 and 2020.

#### 14. Rental Income

This account consists of:

	2022	2021	2020
Office and retail (Note 18)	<b>₱3,626,926,514</b>	₱2,375,942,463	₱1,407,588,642
Parking fees (Note 18)	<b>154,078,031</b>	108,502,399	72,409,517
Amortization of deferred credits (Note 12)	<b>26,528,698</b>	22,466,066	15,725,732
	<b>₱3,807,533,243</b>	₱2,506,910,928	₱1,495,723,891

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived a certain percentage in their common area usage expenses (see Note 18).



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**15. Dues and Interest Income from Finance Lease Receivables**

Dues pertains to net recoveries from tenants for the utilities, except for usage of common areas and air-conditioning charges. Set out below is the disaggregation of the Company's revenue from non-lease component:

	2022	2021	2020
Dues:			
Common area charges	<b>₱880,438,679</b>	₱535,376,072	₱310,003,926
Utilities dues	<b>162,552,776</b>	85,629,586	79,377,577
	<b>₱1,042,991,455</b>	₱621,005,658	₱389,381,503

*Interest income from finance lease receivables*

This account pertains to accretion of finance lease receivable amounting to ₱222.32 million, ₱188.55 million and ₱150.81 million in 2022, 2021 and 2020, respectively (see Note 18).

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**16. Interest and Other Income**

Interest Income

This account consists of:

	2022	2021	2020
Interest income from:			
Intercompany loans (Note 20)	<b>₱33,710,130</b>	₱6,966,317	₱78,306,379
Cash in banks (Note 4)	<b>622,312</b>	242,329	364,206
	<b>₱34,332,442</b>	₱7,208,646	₱78,670,585

Other Income

This account pertains to income earned from interest and penalties arising from late payments amounting to ₱0.10 million and ₱3.66 million in 2021 and 2020, respectively (nil in 2022).

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**17. Costs and Expenses and Other Charges**

Direct Operating Expenses

This account consists of:

	2022	2021	2020
Management fees (Note 20)	<b>₱398,075,418</b>	₱267,294,759	₱97,850,770
Taxes and licenses	<b>363,304,266</b>	204,801,681	139,690,380
Land lease (Notes 18 and 20)	<b>262,034,140</b>	168,962,930	110,552,423
Repairs and maintenance	<b>165,399,042</b>	83,328,757	38,119,740
Outside services	<b>119,284,197</b>	64,167,146	40,912,975
Insurance	<b>14,357,866</b>	9,617,107	8,249,699
Miscellaneous	<b>10,524,065</b>	5,643,292	5,261,390
Others	<b>26,824,648</b>	12,050,755	3,429,554
	<b>₱1,359,803,642</b>	₱815,866,427	₱444,066,931



### General and Administrative Expenses

This account consists of:

	2022	2021	2020
Provision for probable losses (Note 6)	<b>₱39,000,000</b>	₱33,000,000	₱–
Provision for doubtful accounts (Note 5)	<b>22,948,855</b>	22,532,287	7,258,842
Professional fees	<b>4,603,471</b>	4,461,905	6,529,287
System costs	<b>4,185,393</b>	5,359,691	–
Taxes and licenses	<b>3,008,543</b>	31,437,964	26,806,570
Depreciation (Note 8)	<b>90,634</b>	42,043	8,036
Others	<b>5,653,280</b>	6,563,894	8,871,578
	<b>₱79,490,176</b>	₱103,397,784	₱49,474,313

### Interest Expense

This account consists of:

	2022	2021	2020
Interest expense from:			
Short-term and long-term loans (Note 10)	<b>₱100,249,019</b>	₱81,942,431	₱–
Lease liabilities (Note 18)	<b>81,832,181</b>	63,009,530	51,490,870
Accretion of security deposit (Note 12)	<b>26,287,433</b>	24,868,143	13,928,256
	<b>₱208,368,633</b>	₱169,820,104	₱65,419,126

### Other Charges

This account consists of the amortization of bond issue cost amounting to ₱20.26 million and ₱0.18 million in 2022 and 2021 and bank and other charges amounting to ₱2.62 million in 2022 and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

## **18. Agreements and Lease Commitments**

### *The Company as lessor - operating lease*

The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These noncancellable leases are subject to 5% to 10% annual escalation rate.

The future minimum rentals receivable under noncancellable operating leases are as follows:

	2022	2021	2020
Within one year	<b>₱2,854,784,345</b>	₱2,258,171,359	₱1,580,530,864
After one year but not more than five years	<b>8,021,660,128</b>	5,264,621,359	5,332,899,560
More than five years	<b>335,045,027</b>	418,483,308	492,474,823
	<b>₱11,211,489,500</b>	₱7,941,276,026	₱7,405,905,247

Total rental income amounted to ₱3,807.53 million, ₱2,506.91 million and ₱1,495.72 million in 2022, 2021 and 2020, respectively (see Note 14). Rental income arising from variable rent based on gross sales amounted to ₱9.08 million, ₱5.65 million and ₱5.98 million in 2022, 2021 and 2020, respectively.



In 2021 and 2020, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱48.07 million and ₱37.59 million, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2021 and 2020 (nil in 2022).

*The Company as lessor - finance lease*

In 2021, the Company entered into building lease agreement with NECC for a term of 36 years. The agreement pertains to the lease of a retail podium of The 30th. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on January 1, 2021. The lease generally provides for rates based on higher between the a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

On October 1, 2021, the Company entered into building lease agreement with NECC for a term of 36 years. The agreement pertains to the lease of Vertis North Commercial Development Mall. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on October 1, 2021. The lease generally provides for rates based on higher between the a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 20). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2022	2021	2020
Within one year	<b>₱234,690,936</b>	₱236,172,830	₱189,728,000
More than one year and not more than five years	<b>946,965,562</b>	943,485,358	650,496,000
More than 5 years	<b>7,465,937,702</b>	8,465,334,764	5,390,029,750
Total undiscounted lease payments and unguaranteed residual value	<b>8,647,594,200</b>	9,644,992,952	6,230,253,750
Less: unearned finance income	<b>5,426,448,195</b>	6,359,172,530	3,987,672,695
Net investment in the lease	<b>₱3,221,146,005</b>	₱3,285,820,422	₱2,242,581,055

The net investment in the lease with MNHVI and NECC consists of the present value of minimum lease payments amounting to ₱2,221.09 million and ₱936.00 million, respectively. The Company derecognized the portion of investment property under finance lease amounting to ₱886.24 million which resulted in a gain under finance lease amounting ₱49.76 million in 2021 (nil in 2022 and 2020, see Note 7). The Company also recognized interest income earned amounting to ₱222.32 million, ₱188.55 million and ₱150.81 million for 2022, 2021 and 2020, respectively (see Note 15).

The Company remains to be the legal owner of the portion of ANE building, retail podium of The 30th and Vertis North Commercial Development Mall under finance lease.

*The Company as lessee*

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 20). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.



On October 5, 2018, ALI assigned to the Company the land lease agreement with HLC with a lease term of 40 years. The agreement pertains to land lease of ANE properties. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The agreement pertains to land and building lease of MECC. The rent is payable at a fixed monthly rate of ₱2.73 million, subject to 5% annual escalation rate.

Effective October 1, 2021, GDI assigned to the Company the land lease agreement with Ceci Realty, Inc. ("CECI") with a lease term of 36 years. The agreement pertains to land lease of One and Two Evotech properties. The rent is payable at a fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.

Effective October 1, 2021, WCVI assigned to the Company the land lease agreement with Province of Negros Occidental with a lease term of 50 years. The agreement pertains to land lease of Bacolod Capitol property. The rent is payable at a fixed monthly rate, subject to an escalation rate ten percent (10%) every five (5) years.

On July 07, 2022, the Company entered into a contract of lease with ALI for the lease of land commencing on October 1, 2022 for period of 36 years. The agreement pertains to land lease of Cebu properties namely, eBloc 1, eBloc 2, eBloc 3, eBloc 4, ACC Tower and Tech Tower. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

The total cash outflow related to leases amounted to ₱311.26 million, ₱206.14 million and ₱143.35 million in 2022, 2021 and 2020, respectively. This is composed of interest payments amounting to ₱49.23 million, ₱37.18 million and ₱32.80 million in 2022, 2021 and 2020 for lease contracts where the Company recognized lease liability and variable lease payments amounting to ₱262.03 million, ₱168.96 million and ₱110.55 million in 2022, 2021 and 2020, respectively. No payment was attributed to principal of lease liability in 2022 and 2021.

The rollforward analysis of lease liability follows:

	2022	2021
Balance at beginning the year	<b>₱1,153,980,830</b>	₱871,843,943
Addition	–	256,304,860
Interest expense (Note 17)	<b>81,832,181</b>	63,009,530
Payment	<b>(49,232,653)</b>	(37,177,503)
Balance at the end of the year	<b>1,186,580,358</b>	1,153,980,830
Current lease liability	<b>50,290,868</b>	42,967,375
Noncurrent lease liabilities	<b>₱1,136,289,490</b>	₱1,111,013,455

The following are the amounts recognized in the statements of comprehensive income from the above lease agreements as lessee:

	2022	2021	2020
Rent expense - variable lease payments (Note 17)	<b>₱262,034,140</b>	₱168,962,930	₱110,552,423
Accretion of interest expense (Note 17)	<b>81,832,181</b>	63,009,530	51,490,870
Total amounts recognized in the statements of comprehensive income	<b>₱343,866,321</b>	₱231,972,460	₱162,043,293

Right-of-use asset and lease liability recognized in 2021 pertains to new lease agreement for which lease payments are fixed. Prior to December 31, 2019, all lease contracts where the Company is a lessee have lease payment terms that is purely variable linked to future performance or use of the



underlying asset, therefore no right-of-use asset is recognized. The right-of-use asset is included as part of investment properties amounting to ₱1,030.42 million and ₱1,061.29 million as of December 31, 2022 and 2021, respectively.

Effective October 1, 2021, NECC assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Vertis Tower 1-3 and Mall building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

Effective October 1, 2021, WCVF assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Bacolod BPO property building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On October 1, 2020, APRC assigned to the Company its 31-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Teleperformance Cebu building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is not material.

## 19. Income Tax

Provision for (benefit from) income tax consists of:

	2022	2021	2020
Current	₱-	₱-	₱173,735,934
Deferred	-	-	(3,454,687,621)
Final	124,462	48,466	72,841
	<b>₱124,462</b>	<b>₱48,466</b>	<b>(3,280,878,846)</b>

The current provision for income tax represents RCIT in 2020. Prior to the Company's listing date on August 13, 2020, the Company recognized provision for income tax amounting to ₱173.74 million. The Company started to avail of its tax incentive as a REIT after its listing.

In 2021 and 2020 the Company availed of the optional standard deduction (OSD) and itemized deduction in 2022.

As of December 31, 2022 and 2021, deferred tax assets and liabilities are recognized based on the effective income tax rate of 0% under REIT law.

The Company has incurred NOLCO in the taxable year 2022 which can be claimed as deduction from the regular income tax over a period of three (3) years and NOLCO in the taxable years 2021 and 2020 which can be claimed as deduction from the regular income tax for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2022	₱340,120,747	₱-	₱340,120,747	2025
2021	688,819,663	-	688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	<b>₱1,510,223,427</b>	<b>₱-</b>	<b>₱1,510,223,427</b>	





The reconciliation between the statutory income tax rate to the effective income tax rate shown in the statements of comprehensive income follows:

	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%
Add (deduct) tax effect of:			
Nondeductible expenses	1.17	18.59	0.32
Nontaxable income	(0.37)	(0.93)	(0.36)
Deductible expenses due to option to use OSD	–	(8.05)	(9.47)
Movement in deferred taxes	–	–	3.26
Unrecognized deferred taxes	–	–	(108.61)
Deductible dividends	(25.8)	(34.60)	(25.09)
Effective income tax rate	0%	0%	(109.95%)

## 20. 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 to be related if they are subject to common control or common significant influence which include affiliates.

### Terms and Conditions of Transactions with Related Parties

The Company, in its regular conduct of business, 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. There have been no guarantees provided or received for any related party receivables or payables.

### Material related party transactions (“RPT”)

This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Company’s total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial year:

Category	December 31, 2022			
	Volume	Outstanding Balance	Terms	Conditions
<b>Finance lease receivable</b>				
Makati North Hotel Ventures, Inc. (i)	₱149,232,107	₱2,258,607,723	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
North Eastern Commercial Corp. (j)	73,089,719	962,538,282	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
<b>Due from related parties</b>				
Parent Company				
Ayala Land, Inc. (a and b)	207,180,633	122,963,190	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
<b>Affiliates</b>				
Cebu District Property Enterprise, Inc. (b)	–	660,896	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	–	3,700	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	30,435,139	39,203,390	Interest-bearing; On demand	Unsecured; No impairment

(Forward)



December 31, 2022				
Category	Volume	Outstanding Balance	Terms	Conditions
Arca South Commercial Ventures Corp. (b)	₱-	₱2,250,258	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	-	1,246,956	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	204,830,304	209,193,922	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	-	1,004,074	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	2,860,101	307,665	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	48,850,961	49,259,439	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	-	5,687,206	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,268,950	2,929,956	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	-	537,083	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	39,430,400	40,088,362	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	14,305,731	18,073,745	Interest-bearing; On demand	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)	11,537,176	342,605,821	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	17,859,806	28,938,564	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (i)	10,114,172	10,114,172	Noninterest-bearing; On demand	Unsecured; No impairment
Solinea Inc.	38,020,123	38,020,123	Noninterest-bearing; On demand	Unsecured; No impairment
Avida Land, Inc. (b)	1,045,181	1,045,181	Noninterest-bearing; On demand	Unsecured; No impairment
AyalaLand Estates, Inc. (b)	65,694,479	65,694,479	Noninterest-bearing; On demand	Unsecured; No impairment
North Triangle Hotel Ventures, Inc. (b)	1,678,317	1,678,317	Noninterest-bearing; On demand	Unsecured; No impairment
Sicogon Island Tourism Estate, Corp. (b)	21,679,818	21,679,818	Noninterest-bearing; On demand	Unsecured; No impairment
Ecozone Power Management, Inc. (b)	605,517	605,517	Noninterest-bearing; On demand	Unsecured; No impairment
LCI Commercial Ventures, Inc. (b)	38,167,921	38,167,921	Noninterest-bearing; On demand	Unsecured; No impairment
Direct Power Services, Inc. (b)	6,351	6,351	Noninterest-bearing; On demand	Unsecured; No impairment
Makati Cornerstone Leasing, Corp. (b)	4,921	4,921	Noninterest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	1,163,932	1,163,932	Noninterest-bearing; On demand	Unsecured; No impairment
Globe Telecom, Inc.	344,286	344,286	Noninterest-bearing; On demand	Unsecured; No impairment
North Eastern Commercial Corp. (j)	12,765,704	12,765,704	Noninterest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	-	61,579	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	16,579,024	19,043,664	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	-	2,464,491	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	81,017,219	3,102,340	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	7,880,784	1,958,066	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	1,590,415	2,512,284	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	-	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	-	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	-	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	6,183,724	7,939,698	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	37,541,582	575,250	Interest-bearing; On demand	Unsecured; No impairment
North Triangle Depot Commercial Corp (b)	1,217,959	1,218,944	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	-	150	Interest-bearing; On demand	Unsecured; No impairment
		<b>₱4,316,464,857</b>		



December 31, 2022				
Category	Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱104,131,995	₱160,872,483	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc. (l)	82,291,272	99,182,229	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (m)	138,926,224	271,308,298	Noninterest-bearing; On demand	Unsecured
North Eastern Commercial Corp. (j)	64,048,695	64,048,695	Noninterest-bearing; On demand	Unsecured
Glensworth Development, Inc.	4,136,323	4,136,323	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation	19,193,387	19,193,387	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	–	4,165,217	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	78,656,951	24,066,840	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	184,939,775	68,105,923	Noninterest-bearing; On demand	Unsecured
CECI Realty Corp. (o)	91,227,749	25,359,077	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Manila Water Company, Inc. (k)	8,498,380	8,498,380	Noninterest-bearing; On demand	Unsecured
Manila Water Philippine Ventures, Inc.	3,729,107	3,729,107	Noninterest-bearing; On demand	Unsecured
Others**	1,938,026	1,938,023	Interest-bearing and noninterest-bearing; On demand	Unsecured
		<b>₱756,623,441</b>		

\*Entities under common control of ALI

\*\*Entities with outstanding balance below ₱2.00 million

December 31, 2021				
Category	Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc. (i)	₱162,624,000	₱2,312,655,616	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
North Eastern Commercial Corp. (j)	973,164,806	973,164,806	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	362,986,377	290,385,878	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates				
Cebu District Property Enterprise, Inc. (b)	45,097,500	45,097,500	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	390,085,003	3,700	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	116,453,869	8,768,252	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	116,678,221	2,250,258	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	67,002,587	1,246,956	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	53,040,056	4,363,618	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	76,648,262	1,004,074	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,452,637	3,167,767	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,243,886	408,479	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	39,220,982	5,687,206	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,661,006	1,661,006	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	25,841,449	537,083	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	24,950,003	657,962	Interest-bearing; On demand	Unsecured; No impairment

(Forward)



December 31, 2021				
Category	Volume	Outstanding Balance	Terms	Conditions
HLC Development Corporation (b and c)	₱3,768,013	₱3,768,013	Interest-bearing; On demand	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)	337,982,540	337,982,540	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	11,078,757	11,078,757	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (i)	11,388,146	19,993,396	Noninterest-bearing; On demand	Unsecured; No impairment
North Eastern Commercial Corp. (j)	2,952,040	2,952,040	Noninterest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,291,375	61,579	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	35,622,688	35,622,688	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	1,945,589	2,464,492	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	84,119,559	84,119,560	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	9,838,850	9,838,850	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	921,869	921,869	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	–	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	–	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	–	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	1,873,562	1,755,974	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	38,116,832	38,116,832	Interest-bearing; On demand	Unsecured; No impairment
North Triangle Depot Commercial Corp (b)	985	985	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	–	150	Interest-bearing; On demand	Unsecured; No impairment
		₱4,199,935,323		

December 31, 2021				
Category	Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱265,232,671	₱47,566,230	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc. (l)	135,334,155	16,890,957	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (m)	103,783,954	132,382,074	Noninterest-bearing; On demand	Unsecured
North Eastern Commercial Corp. (j)	56,541,580	56,541,580	Noninterest-bearing; On demand	Unsecured
ALO Prime Realty Corporation (n)	3,578,088	3,578,088	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	4,165,217	4,165,217	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	28,176,650	12,294,883	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	120,647,226	6,013,296	Noninterest-bearing; On demand	Unsecured
CECI Realty Corp. (o)	9,942,712	9,942,712	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Manila Water Company, Inc. (k)	2,051,435	2,051,435	Noninterest-bearing; On demand	Unsecured
Westview Commercial Ventures Corp. (p)	4,728,703	4,728,703	Noninterest-bearing; On demand	Unsecured
Others**			Interest-bearing and noninterest-bearing; On demand	Unsecured
	1,255,266	1,255,266		
		₱299,429,900		

\*Entities under common control of ALI

\*\*Entities with outstanding balance below ₱2.00 million



The following describes the nature of the material transactions of the Company with related parties in 2022, 2021 and 2020:

- (a) ALI handles the lease management and marketing functions including key management personnel services of the Company pre-listing last August 13, 2020 and is entitled to receive a management fee. The Company recognized management fee amounting to ₱13.33 million in 2020 (see Note 17).

The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint, Vertis Offices, Ebloc Towers 1 to 4, ACC Tower and Tech Tower buildings are located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱156.09 million, ₱65.72 million and ₱39.04 million in 2022, 2021 and 2020, respectively (see Note 17).

On January 31, 2020, the Company entered into a contract of lease with ALI wherein ALI assigned, transferred, conveyed into the Company all of its rights and interests under existing tenant contracts which ALI had entered into with retail merchants and office tenants in connection with the development of MECC property. In addition, the contract of lease with ALI also contains the assumption of obligations wherein the Company thereby assumed all obligations of ALI under the existing tenant contracts in MECC property.

Payable amounting to ₱26.35 million and ₱47.57 million as of December 31, 2022 and 2021, respectively, pertain to expenses paid by ALI on behalf of AREIT for The 30th and Vertis offices operations.

- (b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 1.74% to 5.28%, 2.00% to 3.75% and 2.63% to 5.50% per annum in 2022, 2021 and 2020 respectively.

The Company recognized interest income amounting to ₱33.71 million, ₱6.97 million and ₱78.31 million in 2022, 2021 and 2020, respectively (see Note 16).

Documentary stamp tax is paid by the borrowers at the time of the loan.

- (c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱75.62 million, ₱74.02 million and ₱71.51 million in 2022, 2021 and 2020 respectively (see Note 17).
- (d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱390.40 million, ₱130.06 million and ₱42.54 million in 2022, 2021 and 2020, respectively of which the remaining payable amounted to ₱68.11 million and ₱6.01 million as of December 31, 2022 and 2021, respectively.
- (e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2022, 2021 and 2020.
- (f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company prior to its listing in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the



immediately preceding year shall apply. The Company recognized management fees amounting to ₱32.66 million, ₱28.18 million and ₱12.60 million in 2022, 2021 and 2020, respectively (see Note 17).

- (g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized “Rental Income” in the statements of comprehensive income amounting to ₱5.05 million, ₱4.62 million and ₱4.66 million in 2022, 2021 and 2020, respectively, of which the remaining receivable amounted ₱7.94 million, ₱1.76 million and ₱0.03 million as of December 31, 2022, 2021 and 2020, respectively.
- (h) The Company’s intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱4.17 million and ₱4.16 million in 2021 and 2020 respectively.
- (i) This pertains to the receivable arising from lease agreement with MNHVI (see Note 18). The Company’s outstanding balance related to finance lease amounted to ₱2,258.61 million and ₱2,312.66 million as December 31, 2022 and 2021, respectively. This includes interest income accretion amounting to ₱149.23 million, ₱151.39 million and ₱150.81 million in 2022, 2021 and 2020, respectively (see Notes 15 and 18).

The Company also recognized receivable amounting to ₱10.11 million pertaining to payment for land lease on behalf of MNHVI.

- (j) This pertains to the receivable arising from lease agreement with NECC (see Note 18). The Company outstanding balance related to finance lease amounted to ₱962.54 million and ₱973.16 million as of December 31, 2022 and 2021, respectively. This includes interest income accretion amounting to ₱73.09 million for the year ended December 31, 2022 ₱37.16 million in 2021 and nil in 2020; (see Notes 15 and 18).

NECC, is a lessee of the Company for a space in The 30th Corporate Center. The Company recognized “Rental Income” in the statements of comprehensive income amounting to ₱2.11 million in 2022, ₱7.73 million in 2021 and nil in 2020.

Payable amounting to ₱64.05 million as of December 31, 2022 and ₱56.54 million as of December 31, 2021 pertain to expenses paid by NECC on behalf of AREIT for The 30th and Vertis offices operations.

- (k) The Company’s intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱8.50 million, ₱2.05 million and ₱2.06 million in 2022, 2021 and 2020, respectively.

The Company recognized utility services in “Utilities” under “Dues” in the statements of comprehensive income amounting to ₱38.21 million, ₱26.58 million and ₱7.50 million in 2022, 2021 and 2020, respectively (see Note 15).

- (l) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. The Company recognized management fees amounting to ₱198.52 million and ₱135.33 million in 2022 and 2021 (₱37.37 million in 2020, see Notes 17).
- (m) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from



lease liabilities for the period, provided that such fee shall not exceed 1% of the net asset value of the properties being managed. The Company recognized management fees amounting to ₱166.90 million and ₱103.78 million in 2022 and 2021, respectively (₱34.54 million in 2020, see Note 17).

- (n) The Company's payable to ALO Prime Realty Corp. (APRC), a subsidiary of ALI, amounting to ₱3.57 million pertains to over remittance of security deposits from TP Cebu tenants as of December 31, 2021.
- (o) The Company's payable to Ceci Realty Corp. (CECI), a subsidiary of ALI, amounting to ₱25.36 million and ₱9.94 million as of December 31, 2022 and 2021. This pertains to electricity of Evotech building.
- (p) The Company's payable to Westview Commercial Ventures Corp. (WVCV), a subsidiary of ALI, amounting to ₱4.73 million pertains to various expenses paid by WVCV in behalf of the Company for Bacolod Ayala Northpoint and Bacolod Capitol building operations as of December 31, 2021.

In 2022 and 2021, the Company acquired certain investment properties from various related parties to increase its portfolio of rentable assets (see Note 7).

#### Cash in bank

The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱45.46 million, ₱52.61 million and ₱22.21 million in 2022, 2021 and 2020, respectively (see Note 4). Interest income earned from these deposits amounted to ₱135,036, ₱105,180 and ₱105,903 in 2022, 2021 and 2020, respectively (see Note 17).

#### Compensation of Key Management Personnel

The key management functions of the Company are handled by ALI, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (a), (l) and (m) above.

## 21. Financial Assets and Liabilities

#### Fair Value Information

Except for the Company's noncurrent portion of finance lease receivable, security deposits, long-term debt and lease liabilities net of current portion, 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.

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Noncurrent portion of:				
Finance lease receivable	₱2,986,455,069	₱2,981,530,484	₱3,063,077,918	₱3,319,059,595
Lease liabilities	1,136,289,490	1,106,028,172	1,111,013,455	1,040,202,810
Security deposits	1,044,320,392	958,142,795	942,749,081	864,953,175
Long-term debt	—	—	2,957,472,367	2,844,051,163

#### Fair Value Hierarchy

As of December 31, 2022 and 2021, the Company has no financial instrument measured at fair value. In 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.



The fair value of the Company's noncurrent portion of finance lease receivable, security deposits, long-term debt and lease liability - net of current portion is categorized under Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2022 and 2021 are shown below:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Investment properties	DCF Method	Discount rate	2022: 9.76% 2021: 8.38%	Increase (decrease) in the discount would decrease (increase) the fair value
Finance lease receivable	DCF Method	Discount rate	2022: 8.41%-8.66% 2021: 7.08%-7.44%	Increase (decrease) in the discount would decrease (increase) the fair value
Security deposits	DCF Method	Discount rate	2022: 1.18-4.63% 2021: 1.10%-4.69%	Increase (decrease) in the discount would decrease (increase) the fair value
Long-term debt	DCF Method	Discount rate	2021: 2.67%	Increase (decrease) in the discount would decrease (increase) the fair value
Lease liabilities	DCF Method	Discount rate	2022: 8.20%-9.24% 2021: 6.75%-8.31%	Increase (decrease) in the discount would decrease (increase) the fair value

#### 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 (see Note 20).

#### *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.





An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱60.40 million, ₱37.46 million and ₱14.92 million as of December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022 and 2021, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of December 31, 2022 and 2021, ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

The Company did not provide any allowance relating to receivable from related parties in prior year. There are also no ECL recognized in the current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The Company's maximum exposure to credit risk as of December 31, 2022 and 2021 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

2022				
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱62,680,882	₱—	₱62,680,882	₱—
Receivables				
Finance lease receivable	3,221,146,005	3,221,146,005	—	3,221,146,005
Due from related parties	1,095,318,852	—	1,095,318,852	—
Trade receivables	647,588,205	801,626,359	—	647,588,205
Other receivables	1,990,659	—	1,990,659	—
Recoverable deposits	14,764,815	—	14,764,815	—
	₱5,043,489,418	₱4,022,772,364	₱1,174,755,208	₱3,868,734,210

2021				
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱91,968,244	₱—	₱91,968,244	₱—
Receivables				
Finance lease receivable	3,285,820,422	3,377,113,886	—	3,285,820,422
Due from related parties	914,114,901	—	914,114,901	—
Trade receivables	220,680,256	864,953,175	—	220,680,256
Other receivables	858,963	—	858,963	—
Recoverable deposits	12,496,621	—	12,496,621	—
	₱4,525,939,407	₱4,242,067,061	₱1,019,438,729	₱3,506,500,678



The aging analysis of the Company's receivable presented per class is as follows:

**December 31, 2022**

	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	P3,221,146,005	P-	P-	P-	P-	P-	P3,221,146,005
Due from related parties	860,700,000	67,966,991	46,933,538	7,847,173	111,871,150	-	1,095,318,852
Trade receivables – billed	40,670,843	447,376,687	443,356	80,426,135	18,266,283	60,404,901	647,588,205
<b>Total</b>	<b>P4,122,516,848</b>	<b>P515,343,678</b>	<b>P47,376,894</b>	<b>P88,273,308</b>	<b>P130,137,433</b>	<b>P60,404,901</b>	<b>P4,964,053,062</b>

**December 31, 2021**

	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	P3,285,820,422	P-	P-	P-	P-	P-	P3,285,820,422
Due from related parties	759,585,728	47,717,824	2,881,915	83,770	103,845,664	-	914,114,901
Trade receivables – billed	13,859,505	3,077,162	27,102,252	330,463	138,854,828	37,456,046	220,680,256
<b>Total</b>	<b>P4,059,265,655</b>	<b>P50,794,986</b>	<b>P29,984,167</b>	<b>P414,233</b>	<b>P242,700,492</b>	<b>P37,456,046</b>	<b>P4,420,615,579</b>

**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 December 31, 2022 is P19.00 billion. The Company may also refinance its short-term and long-term loans and manage its payment terms for its payables.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	2022			Total
	< 1 year	1 to 5 years	> 5 years	
<b>Financial assets</b>				
Cash in banks	P62,680,882	P-	P-	P62,680,882
Receivables				
Finance lease receivable	234,690,936	946,965,562	7,465,937,702	8,647,594,200
Due from related parties	1,095,318,852	-	-	1,095,318,852
Trade receivables*	587,183,304	-	-	587,183,304
Recoverable deposits	14,764,815	-	-	14,764,815
	<b>1,994,638,789</b>	<b>946,965,562</b>	<b>7,465,937,702</b>	<b>10,407,542,053</b>
<b>Financial liabilities</b>				
Accounts and other payables				
Due to related parties	P756,623,441	P-	P-	P756,623,441
Accounts payable	89,098,143	-	-	89,098,143
Accrued expenses	124,503,414	-	-	124,503,414
Retention payable	3,188,012	-	-	3,188,012
Interest payable**	898,625	-	-	898,625
Short-term debt	3,300,000,000	-	-	3,300,000,000
Security deposits	483,952,432	447,962,937	112,405,023	1,044,320,392
Lease liability	50,290,868	174,272,079	4,181,960,759	4,406,523,706
Construction bonds	98,584,276	-	-	98,584,276
	<b>P4,907,139,211</b>	<b>P622,235,016</b>	<b>P4,294,365,782</b>	<b>P9,823,740,009</b>

\*net of allowance for expected credit losses

\*\*includes future interest payments



	2021			Total
	< 1 year	1 to 5 years	> 5 years	
<b>Financial assets</b>				
Cash in banks	₱91,968,244	₱–	₱–	₱91,968,244
Receivables				
Finance lease receivable	236,172,830	943,485,358	8,465,334,764	9,644,992,952
Due from related parties	2,242,581,055	–	–	2,242,581,055
Trade receivables*	183,224,210	–	–	183,224,210
Recoverable deposits	12,496,621	–	–	12,496,621
	<b>₱2,766,442,960</b>	<b>₱943,485,358</b>	<b>₱8,465,334,764</b>	<b>₱12,175,263,082</b>
<b>Financial liabilities</b>				
Accounts and other payables				
Due to related parties	₱299,429,900	₱–	₱–	₱299,429,900
Accounts payable	99,045,078	–	–	99,045,078
Accrued expenses	67,422,855	–	–	67,422,855
Retention payable	2,041,577	–	–	2,041,577
Interest payable**	2,207,375	–	–	2,207,375
Short-term debt	890,000,000	–	–	890,000,000
Security deposits	436,882,890	404,393,757	101,472,434	942,749,081
Lease liability	49,853,415	221,433,216	4,135,237,075	4,406,523,706
Construction bonds	58,579,640	–	–	58,579,640
Long-term debt	–	3,000,000,000	–	3,000,000,000
	<b>₱1,905,462,730</b>	<b>₱3,625,826,973</b>	<b>₱4,236,709,509</b>	<b>₱9,767,999,212</b>

\*net of allowance for expected credit losses

\*\*includes future interest payments

## 22. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2022, 2021 and 2020 were computed as follows:

	2022	2021	2020
Net income	<b>₱2,887,563,036</b>	₱2,433,267,040	₱6,264,814,788
Weighted average number of common shares	<b>1,510,292,379</b>	1,479,405,605	996,151,230
Basic/Diluted earnings per share	<b>₱1.91</b>	₱1.64	₱6.29

The Company also assessed that there were no potential dilutive common shares in 2022, 2021 and 2020.

## 23. 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.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱395.04 million and ₱263.52 million for the year ended December 31, 2022, ₱376.67 million and ₱253.04 million for the year ended December 31, 2021, and ₱376.59 million and ₱255.97 million for the year ended December 31, 2020.

### Distributable Income under the IRR of REIT Act of 2009

Under the Revised Implementing Rules and Regulations of REIT Act of 2009, section 4c, the Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under the PFRS.



The computation of distributable income as presented to the Management of the Company as at December 31, 2022, 2021 and 2020 is shown below:

	2022	2021	2020
Net income	<b>₱2,887,563,036</b>	₱2,433,267,040	₱6,264,814,788
Unrealized gains:			(1,424,645,596)
Unrealized (gain)/loss on fair value change in investment properties	<b>548,953,984</b>	(164,502,279)	-
Gain on finance lease	-	(49,763,675)	-
Impact on DTL of fair value accounting	-	-	(3,387,455,299)
Impact on DTL of listing as a REIT entity	-	-	(3,293,073)
<b>Distributable Income</b>	<b>₱3,436,517,020</b>	<b>₱2,219,001,086</b>	<b>₱1,449,420,820</b>

#### 24. Notes to Statements of Cash Flow

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2022	Cash flows	Non-cash changes	December 31, 2022
Dividends	₱-	(₱2,912,197,864)	₱2,912,197,864	₱-
Short-term debt	890,000,000	(590,000,000)	2,977,693,930	3,277,693,930
Share issuance cost	-	(47,954,832)	47,954,832	-
Lease liabilities	1,153,980,830	(49,232,653)	81,832,181	1,186,580,358
Long-term debt	2,957,472,367	-	(2,957,472,367)	-
Interest payable	905,750	100,249,019	(100,256,144)	898,625
<b>Total liabilities from financing activities</b>	<b>₱5,002,358,947</b>	<b>(₱3,499,136,330)</b>	<b>₱2,961,950,296</b>	<b>₱4,465,172,913</b>

	January 1, 2021	Cash flows	Non-cash changes	December 31, 2021
Dividends	₱-	(₱1,733,359,375)	₱1,733,359,375	₱-
Short-term debt	-	890,000,000	-	890,000,000
Share issuance cost	-	(35,877,520)	35,877,520	-
Lease liabilities	871,843,943	(37,177,503)	319,314,390	1,153,980,830
Long-term debt	-	2,957,472,367	-	2,957,472,367
Interest payable	-	81,942,431	(81,036,681)	905,750
<b>Total liabilities from financing activities</b>	<b>₱871,843,943</b>	<b>₱2,123,000,400</b>	<b>₱2,007,514,604</b>	<b>₱5,002,358,947</b>

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Dividends	₱-	(₱953,860,485)	₱953,860,485	₱-
Issuance of shares	-	1,223,218,423	(1,223,218,423)	-
Lease liabilities	-	(32,796,936)	904,640,879	871,843,943
<b>Total liabilities from financing activities</b>	<b>₱-</b>	<b>₱236,561,002</b>	<b>₱635,282,941</b>	<b>₱871,843,943</b>

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

##### Operating

- Interest expense arising from accretion of security deposit amounting to ₱26.29 million, ₱24.87 million and ₱13.93 million in 2022, 2021 and 2020 respectively (see Notes 12 and 17).
- Noncash movement in "Receivables" and "Investment properties" arising from lease agreement with NECC amounting to ₱936.00 million and ₱886.24 million, respectively in 2021; (nil in 2022 and 2020; see Notes 7, 18, 20).



Investing

- Recognition of right-of-use asset recorded under investment properties and lease liability in 2021 amounting to ₱256.30 million for land lease agreements assigned to the Company under the property-for-share swap agreement for Bacolod Capitol Corporate Center and Evotech One and Two.
- Addition in investment properties amounting to ₱11,257.89 million and ₱15,415.81 million related to the property-for-share swap agreement in 2022 and 2021 (See Note 7)
- Increase in fair value of investment properties net of lease commissions amounting to a decrease of ₱544.18 million, increase of ₱200.14 million and increase of ₱1,472.09 million in 2022, 2021 and 2020, respectively (See Note 7).

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**25. Events After the End of the Reporting Period**

On February 24, 2023, the Board of Directors of the Company as its regular meeting, approved the declaration of cash dividends of ₱0.52 per outstanding common share for the fourth quarter of 2022. The cash dividends amounting to ₱915.74 million will be payable on March 24, 2023, to stockholders on record as of March 10, 2023.

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**26. Report on the Supplementary Information Required Under RR 15-2010**

Value added tax (VAT)

The National Internal Revenue Code (NIRC) of 1997, as amended, also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company's vatiable sales are based on actual collections received, hence may not be the same as amounts accrued in the statements of comprehensive income. The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2022.

Receipts and output VAT declared in the Company's VAT returns in 2022

	Net Receipts	Output VAT
Taxable receipts	₱2,078,801,985	₱249,456,238

The Company, in its 2022 VAT declarations, has reported Net Receipts of ₱2,078.80 million and output VAT of ₱249.46 million. These amounts arise from the Company's interest income on intercompany loans.

Receipts and output VAT declared in the Company's VAT returns in 2021

	Net Receipts	Output VAT
Taxable receipts	₱958,206,170	₱114,984,740

The Company, in its 2022 VAT declarations, has reported Net Receipts of ₱958,206,170 and output VAT of ₱114,984,740. These amounts arise from the Company's interest income on intercompany loans.



Details of Input VAT follow:

Balance at January 1, 2022	₱959,608,313
Capital Goods not subject for Amortization	268,840
Input tax on depreciable capital good not attributable to any specific activity	61,126,136
Domestic purchases/payments for:	
Domestic purchases of services	125,116,252
Purchase of goods other than capital goods	2,549,958
Total Input VAT	1,148,669,499
Less applied against output VAT	249,456,238
Balance at December 31, 2022	₱899,213,261

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included in "Taxes and licenses" under "Direct operating expenses" and "General and Administrative expenses" in the statements of comprehensive income. Details of other taxes and licenses in 2022 follow:

Local

Real property tax	₱275,413,208
Business permit	82,853,052
Community tax	10,500
Others	7,281,713
	365,558,473

National

Fire permit	753,836
BIR annual registration	500
Others	-
	754,336
	₱366,312,809

Withholding Taxes

The Company's expanded withholding taxes for the year amounted to ₱47,623,653. Out of which, ₱24,082,049 remain outstanding as part of "Taxes payable" under "Accounts and other payables" as of December 31, 2022.

Taxes on Importation

The Company has not made any importations in 2022.

Excise Tax

The Company has no transaction subject to excise tax in 2022.

Documentary Stamp Tax

The Company paid documentary stamp tax amounting to ₱3,329,771 for the year ended December 31, 2022 pertaining to lease contracts of various tenants.

Tax Contingencies

The Company did not receive any Letter of Assessment, Preliminary Assessment Notice and Final Tax Assessment before or during 2022, nor it has tax cases under preliminary investigations, litigation, and/or prosecution in courts or bodies outside the administration of the Bureau of Internal Revenue.



**AREIT, INC.**

**INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2022**

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Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

**AREIT, INC.**


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**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**DECEMBER 31, 2022**


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Unappropriated Retained Earnings, beginning		₱22,465,407,195
Less: Cumulative Fair Value Adjustment of Investment		
Properties from its Original Cost	20,469,371,278	
Accumulated depreciation	(2,239,502,031)	18,229,869,247
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		4,235,537,948
<b>Add: Net income actually earned/realized during the period</b>		
Net income during the period closed to Retained Earnings		2,887,563,036
Add: Non-actual losses net of tax		
Loss on fair value adjustment of investment properties		548,953,984
<b>Net income Actual/Realized</b>		3,436,517,020
Dividend declarations during the year		(2,912,197,864)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>₱4,759,857,104</b>

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SyCip Gorres Velayo & Co.  
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Philippines

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors  
AREIT, Inc.  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated February 24, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Maria Antoniette L. Aldea*

Maria Antoniette L. Aldea  
Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

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

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 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. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564643, January 3, 2023, Makati City

February 24, 2023





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## INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors  
AREIT, Inc.  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated February 24, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

*Maria Antoniette L. Aldea*

Maria Antoniette L. Aldea  
Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

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

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 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

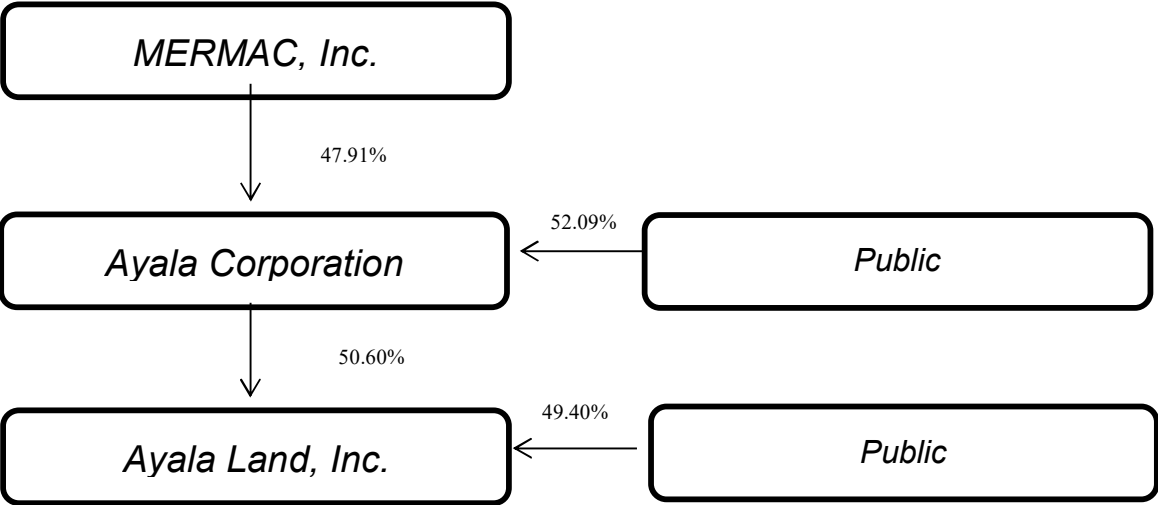
BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564643, January 3, 2023, Makati City

February 24, 2023

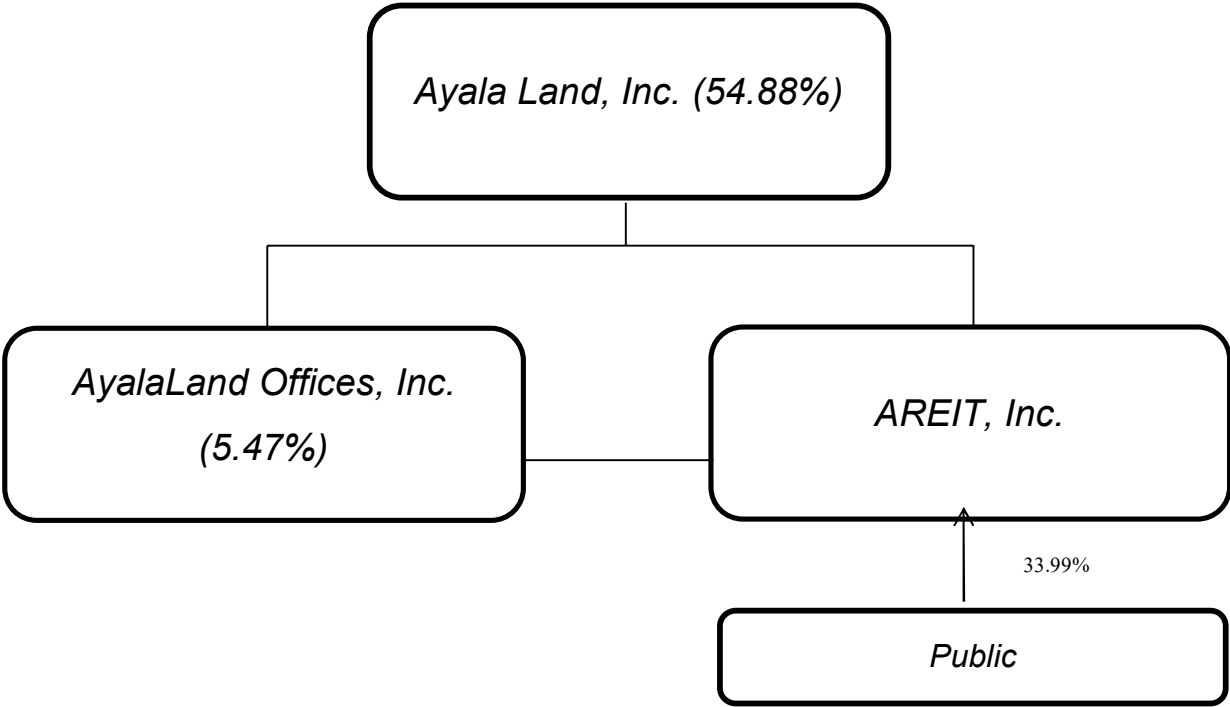


MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES  
DECEMBER 31, 2022



AREIT, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES  
DECEMBER 31, 2022



AYALA LAND, INC.

*Cagayan de Oro Gateway Corp. (70%)*

*Adauge Commercial Corporation (60%)*

*Alabang Commercial Corporation (50%)*

*Ayala Property Management Corp. (100%)*

*Soltea Commercial Corp. (60%)*

*Southgateway Development Corp. (100%)*

*Makati Development Corporation (100%)*

*Ayala Theatres Management, Inc. & S. (100%)*

*CMPI Holdings, Inc. (60%)*

*Ayalaland MetroNorth, Inc. (100%)*

*Ayala Hotels, Inc. (50%)*

*DirectPower Services, Inc. (100%)*

*ALI-CII Development Corporation (50%)*

*North Triangle Depot Commercial Corp. (73%)*

*AyalaLand Hotels and Resorts Corp. (100%)*

*Phil. Integrated Energy Solutions, Inc. (100%)*

*Roxas Land Corporation (50%)*

*BGWest Properties, Inc. (50%)*

*Lagdigan Land Corp. (60%)*

*Five Star Cinema, Inc. (100%)*

*Ten Knots Phils, Inc. (60%)*

*Ten Knots Development, Corp. (60%)*

*Southportal Properties Inc. (65%)*

*Leisure and Allied Industries Philippines, Inc. (50%)*

*ALInet.com, Inc. (100%)*

*First Longfield Investments Limited (100%)*

*Aprisa Business Process Solutions, Inc. (100%)*

*AyalaLand Club Management, Inc. (100%)*

*Varejo Corp. (100%)*

*Ayala Land Malls, Inc. (100%)*

*Verde Golf Development Corporation (100%)*

*Whiteknight Holdings, Inc. (100%)*

*ALI Commercial Center Inc. (100%)*

*Cebu Holdings Inc. (71%)*

*AREIT, Inc. (54.88%)*



## SCHEDULE A

**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS  
DECEMBER 31, 2022**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱17,218,929	₱17,218,929	₱483,505
Bank of Philippine Islands	45,461,953	45,461,953	135,036
	62,680,882	62,680,882	618,541
Receivables			
Related parties	4,316,464,857	4,316,464,857	33,710,130
Third parties, net of allowance	587,183,304	587,183,304	–
Others	1,990,659	1,990,659	–
	4,905,638,820	4,905,638,820	33,710,130
	₱4,968,319,702	₱4,968,319,702	₱34,328,671

**SCHEDULE B**

**AREIT, INC.**

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS,  
OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN  
RELATED PARTIES)  
DECEMBER 31, 2022**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A



**AREIT, INC.**


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**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED  
PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

AREIT, INC.

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**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
**DECEMBER 31, 2022**


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<b>Long-term Debt</b>			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long- term debt" in related balance sheet
N/A	N/A	N/A	N/A

**AREIT, INC.**

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**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
DECEMBER 31, 2022**

<b>Indebtedness to Related Parties (Long-term Loans from Related Companies)</b>		
<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
N/A	N/A	N/A

**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**DECEMBER 31, 2022**

<b>Guarantees of Securities of Other Issuers</b>				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**SCHEDULE G****AREIT, INC.****SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK  
DECEMBER 31, 2022**

<b>Capital Stock</b>						
<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common shares	2,950,000,000	1,761,047,193	–	1,062,263,667	12	–

**AREIT, INC.****COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS  
DECEMBER 31, 2022**

Ratio	Formula	2022	2021	2020
Current ratio	Current assets / Current liabilities	<b>0.43</b>	0.67	3.55
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash and receivables – current portion)	<b>0.39</b>	0.63	3.32
Solvency ratio	Net Income add Depreciation/ Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	<b>0.88</b>	0.63	0.00
Debt-to-equity ratio	Total debt / Stockholders' equity	<b>0.05</b>	0.08	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	<b>1.13</b>	1.16	1.07
Interest rate coverage ratio*	EBITDA / Interest expense	<b>15.71</b>	14.02	23.63
Return on equity	Net income / Average total stockholders' equity	<b>5%</b>	5%	19%
Return on assets	Net income after tax / Average total assets	<b>5%</b>	6%	21%
Net profit margin	Net income / Total revenue	<b>0.57</b>	0.73	3.08

\*EBITDA refers to earnings before interest, taxes, depreciation, amortization and excludes net fair value change in investment properties and nonrecurring gain under finance lease

## AREIT, Inc.

## STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31			2022 vs 2021	2021 vs 2020
	2022	2021	2020		
<b>REVENUE</b>					
Rental income (Notes 7, 14 and 18)	3,807,533,243	2,506,910,928	1,495,723,891	52%	68%
Dues (Notes 7 and 15)	1,042,991,455	621,005,658	389,381,503	68%	59%
Interest income from finance lease receivables (Notes 15 and 18)	222,321,826	188,547,234	150,814,117	18%	25%
	5,072,846,524	3,316,463,820	2,035,919,511		
<b>NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES (Note 7)</b>	-548,953,984	164,502,279	1,424,645,596		
<b>COSTS AND EXPENSES</b>					
Direct operating expenses (Notes 7 and 17)	1,359,803,642	815,866,427	444,066,931	67%	84%
General and administrative expenses (Note 17)	79,490,176	103,397,784	49,474,313	-23%	109%
	1,439,293,818	919,264,211	493,541,244		
<b>OTHER INCOME (CHARGES) – Net</b>					
Interest income (Notes 4, 16 and 20)	34,332,442	7,208,646	78,670,585	376%	-91%
Interest expense and other charges (Notes 10, 12 and 17)	-231,243,666	-185,459,737	-65,419,126	25%	183%
Gain under finance lease (Note 18)	0	49,763,675	0	-100%	100%
Other income (Note 16)	0	101,034	3,660,620	-100%	-97%
	-196,911,224	-128,386,382	16,912,079		
<b>INCOME BEFORE INCOME TAX</b>	2,887,687,498	2,433,315,506	2,983,935,942		
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)</b>	124,462	48,466	-3,280,878,846	157%	-100%
<b>NET INCOME</b>	2,887,563,036	2,433,267,040	6,264,814,788	19%	-61%
<b>OTHER COMPREHENSIVE INCOME</b>	0	0	0		
<b>TOTAL COMPREHENSIVE INCOME</b>	2,887,563,036	2,433,267,040	6,264,814,788		
<b>Basic/Diluted Earnings Per Share (Note 22)</b>	1.91	1.64	6.29		

**AREIT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	31-Dec		1-Jan		
	2020		2020		
	2021 (As restated –	(As restated –		2021 vs 2020	2020 vs 2019
	Note 2)	Note 2)			
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash (Notes 4 and 21)	92,010,744	58,977,547	122,180,606	56%	-52%
Receivables (Notes 5, 20 and 21)	1,320,940,578	2,373,620,721	1,967,170,494	-44%	21%
Other current assets (Notes 6 and 21)	110,291,205	168,341,004	91,577,595	-34%	84%
Total Current Assets	1,523,242,527	2,600,939,272	2,180,928,695		
<b>Noncurrent Assets</b>					
Noncurrent portion of receivables(Notes 5 and 21)	3,063,077,918	2,194,794,056	2,215,249,105	40%	-1%
Investment properties (Note 7)	50,081,060,761	29,189,674,985	25,380,629,552	72%	15%
Property and equipment (Note 8)	309,716	12,053	20,089	2470%	-40%
Other noncurrent assets (Note 6)	1,835,836,322	1,114,633,940	1,034,082,386	65%	8%
Total Noncurrent Assets	54,980,284,717	32,499,115,034	28,629,981,132		
	56,503,527,244	35,100,054,306	30,810,909,827		
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Accounts and other payables (Notes 9 and 21)	530,622,799	513,927,478	274,477,842	3%	87%
Short-term debt (Notes 10 and 21)	890,000,000	0	0	100%	0%
Current portion of deposits, other liabilities (Notes 12 and 21)	735,086,847	129,399,846	166,793,502	468%	-22%
Current portion of lease liability (Note 18)	42,967,375	34,300,129	0	25%	100%
Construction bonds (Note 11)	58,579,640	0	11,105,498	100%	-100%
Income tax payable	0	54,444,350	71,241,650	-100%	-24%
Total Current Liabilities	2,257,256,661	732,071,803	523,618,492		
<b>Noncurrent Liabilities</b>					
Long-term debt (Note 10)	2,957,472,367	0	0	100%	0%
Deposits, other liabilities, net of current portion (Notes 12 and 21)	1,290,194,773	722,693,405	600,134,138	79%	20%
Lease liability- net of current portion (Note 18)	1,111,013,455	837,543,814	0	33%	100%
Deferred tax liabilities - net (Note 19)	0	0	3,454,687,620	0%	-100%
Total Noncurrent Liabilities	5,358,680,595	1,560,237,219	4,054,821,758		
Total Liabilities	7,615,937,256	2,292,309,022	4,578,440,250		
<b>Equity (Note 13)</b>					
Paid-up capital	15,762,407,800	10,929,864,050	10,451,224,050	44%	5%
Treasury shares	-673,299,700	-673,299,700	-673,299,700	0%	0%
Additional paid-in capital	11,333,074,693	785,681,404	0	1342%	100%
Retained earnings	22,465,407,195	21,765,499,530	16,454,545,227	3%	32%
Total Equity	48,887,589,988	32,807,745,284	26,232,469,577		
	56,503,527,244	35,100,054,306	30,810,909,827		



## AREIT, INC.

## STATEMENTS OF FINANCIAL POSITION

	31-Dec		
	2022	2021	2022 vs 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash (Notes 4 and 21)	62,753,382	92,010,744	-32%
Receivables (Notes 5, 20 and 21)	1,919,183,751	1,320,940,578	45%
Other current assets (Notes 6 and 21)	155,825,886	110,291,205	41%
Total Current Assets	2,137,763,019	1,523,242,527	
<b>Noncurrent Assets</b>			
Noncurrent portion of receivables (Notes 5 and 21)	2,986,455,069	3,063,077,918	-3%
Investment properties (Note 7)	60,871,459,005	50,081,060,761	22%
Property and equipment (Note 8)	598,631	309,716	93%
Other noncurrent assets (Note 6)	1,689,713,043	1,835,836,322	-8%
Total Noncurrent Assets	65,548,225,748	54,980,284,717	
	67,685,988,767	56,503,527,244	
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts and other payables (Notes 9 and 21)	1,065,080,572	530,622,799	101%
Short-term debt (Notes 10 and 21)	300,000,000	890,000,000	-66%
Current portion of long-term debt (Notes 10 and 21)	2,977,693,930	0	100%
Current portion of deposits and other liabilities (Notes 12 and 21)	527,675,373	735,086,847	-28%
Current portion of lease liability (Note 18)	50,290,868	42,967,375	17%
Construction bonds (Note 11)	98,584,276	58,579,640	68%
Total Current Liabilities	5,019,325,019	2,257,256,661	
<b>Noncurrent Liabilities</b>			
Long-term debt (Note 10)	0	2,957,472,367	-100%
Deposits and other liabilities, net of current portion (Notes 12 and 21)	1,457,484,429	1,290,194,773	13%
Lease liability - net of current portion (Note 18)	1,136,289,490	1,111,013,455	2%
Total Noncurrent Liabilities	2,593,773,919	5,358,680,595	
Total Liabilities	7,613,098,938	7,615,937,256	
<b>Equity (Note 13)</b>			
Paid-up capital	18,283,771,630	15,762,407,800	16%
Treasury shares	-673,299,700	-673,299,700	0%
Additional paid-in capital	20,021,645,532	11,333,074,693	77%
Retained earnings	22,440,772,367	22,465,407,195	0%
Total Equity	60,072,889,829	48,887,589,988	
	67,685,988,767	56,503,527,244	