

SEC Number: CS200613870  
File Number: \_\_\_\_\_

**AREIT, INC.**

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(Company's Full Name)

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

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(Company Address)

(632) 7908-3804

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(Telephone Number)

**June 30, 2024**

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(Quarter Ending)

**SEC Form 17-Q Quarterly Report**

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(Form Type)

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(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2024
2. Commission Identification Number CS200613870
3. BIR Tax Identification No. 006-346-689-00000
4. Exact name of issuer as specified in its charter: AREIT, INC.
5. Province, Country, or other jurisdiction of incorporation or organization:  
Makati City, Philippines
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of issuer's principal office and postal code:  
28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226
8. Issuer's telephone number, including area code: (632) 7908-3804
9. Former name, former address, former fiscal year: Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA \_\_\_\_\_

**As of June 30, 2024**

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

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

Yes ☒ No ☐

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes ☒ No ☐

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

Yes ☒ No ☐

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### AREIT, INC.

#### STATEMENTS OF FINANCIAL POSITION

(All amounts in Philippine Peso)

	June 30, 2024 Unaudited	December 31, 2023 Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	108,293,692	41,758,546
Receivables (Note5)	4,534,021,940	5,137,114,658
Other current assets (Note6)	430,855,048	178,145,850
Total Current Assets	5,073,170,680	5,357,019,054
<b>Noncurrent Assets</b>		
Noncurrent portion of receivables (Note 5)	9,367,518,728	8,055,590,803
Investment properties (Note 7)	78,319,937,969	78,255,747,008
Property and equipment	913,759	1,053,460
Other noncurrent assets (Note6)	1,682,463,439	1,602,882,126
Total Noncurrent Assets	89,370,833,895	87,915,273,397
	94,444,004,575	93,272,292,451
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Note 8)	2,840,496,915	2,127,536,764
Short-term debt (Note 9)	3,000,000,000	3,000,000,000
Current portion of deposits, other liabilities (Note 11)	589,139,211	649,210,862
Current portion of lease liability	50,865,956	54,204,832
Construction bonds (Note 10)	107,873,433	95,692,253
Total Current Liabilities	6,588,375,515	5,926,644,711
<b>Noncurrent Liabilities</b>		
Deposits, other liabilities, net of current portion (Note 11)	3,013,503,382	2,773,205,028
Lease liability- net of current portion	1,200,149,182	1,162,605,903
Total Noncurrent Liabilities	4,213,652,564	3,935,810,931
Total Liabilities	10,802,028,079	9,862,455,642
<b>Equity (Note 12)</b>		
Paid-up capital	24,359,365,430	24,359,365,430
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	36,320,032,381	36,320,032,381
Retained earnings	23,635,878,385	23,403,738,698
Total Equity	83,641,976,496	83,409,836,809
	94,444,004,575	93,272,292,451

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

(All amounts in Philippine Peso)

	2024 Unaudited		2023 Unaudited	
	April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
<b>REVENUE</b>				
Rental income	1,590,379,692	3,142,856,804	1,140,343,916	2,276,482,920
Dues- net	335,912,242	699,552,011	298,487,451	583,849,405
Interest income from finance lease receivables	195,744,138	391,173,197	55,197,692	109,788,815
	<b>2,122,036,072</b>	<b>4,233,582,012</b>	<b>1,494,029,059</b>	<b>2,970,121,140</b>
<b>COSTS AND EXPENSES</b>				
Direct operating expenses	583,547,856	1,168,330,199	420,758,007	838,017,854
General and administrative expenses	17,566,786	34,886,926	19,146,057	35,666,393
	<b>601,114,642</b>	<b>1,203,217,125</b>	<b>439,904,064</b>	<b>873,684,247</b>
<b>OTHER INCOME (CHARGES) - Net</b>				
Interest income	25,466,507	65,233,148	30,351,469	50,584,874
Interest expense and other charges	(66,204,369)	(146,618,092)	(55,057,649)	(105,603,671)
	<b>(40,737,862)</b>	<b>(81,384,944)</b>	<b>(24,706,180)</b>	<b>(55,018,797)</b>
<b>Net fair value change in investment properties</b>	<b>(61,488,363)</b>	<b>(86,254,902)</b>	<b>(1,586,910)</b>	<b>(2,993,360)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,418,695,205</b>	<b>2,862,725,041</b>	<b>1,027,831,905</b>	<b>2,038,424,736</b>
<b>PROVISION FOR INCOME TAX</b>	<b>710,378</b>	<b>1,432,057</b>	<b>202,413</b>	<b>461,935</b>
<b>NET INCOME</b>	<b>1,417,984,827</b>	<b>2,861,292,984</b>	<b>1,027,629,492</b>	<b>2,037,962,801</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,417,984,827</b>	<b>2,861,292,984</b>	<b>1,027,629,492</b>	<b>2,037,962,801</b>
<b>Basic/Diluted Earnings Per Share</b>	<b>0.60</b>	<b>1.21</b>	<b>0.58</b>	<b>1.16</b>

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

(All amounts in Philippine Peso)

	<b>June 30, 2024</b> <b>Unaudited</b>	June 30, 2023 Unaudited
<b>PAID-UP CAPITAL</b>		
<b>Common Shares - P10 par value</b>		
Balance at beginning and end of period	<b>24,359,365,430</b>	18,283,771,630
Balance at end of the period	<b>24,359,365,430</b>	18,283,771,630
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning and end of period	<b>36,320,032,381</b>	20,021,645,532
Balance at end of the period	<b>36,320,032,381</b>	20,021,645,532
<b>TREASURY SHARES</b>		
Balance at beginning and end of period	<b>(673,299,700)</b>	(673,299,700)
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	<b>23,403,738,698</b>	22,440,772,367
Total comprehensive income/Net income	<b>2,861,292,984</b>	2,037,962,802
Cash dividends	<b>(2,629,153,297)</b>	(1,831,489,080)
Balance at end of period	<b>23,635,878,385</b>	22,647,246,089
	<b>83,641,976,496</b>	60,279,363,551

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

(All amounts in Philippine Peso)

	<b>2024 Unaudited January 1 to June 30</b>	<b>2023 Unaudited January 1 to June 30</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>2,862,725,042</b>	2,038,424,736
Adjustments for:		
Net fair value change in investment properties	<b>86,254,902</b>	2,993,360
Depreciation and amortization	<b>139,700</b>	77,055
Interest expense	<b>83,685,753</b>	88,379,109
Interest income from finance lease receivables	<b>(391,173,197)</b>	(109,788,815)
Interest income	<b>(65,233,148)</b>	(50,584,874)
Operating income before working capital changes	<b>2,576,399,052</b>	1,969,500,571
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>332,389,990</b>	(112,527,336)
Other assets	<b>(332,290,511)</b>	(124,141,984)
Increase (decrease) in:		
Accounts and other payables	<b>712,960,150</b>	641,379,935
Deposits and other liabilities	<b>180,226,703</b>	248,227,538
Construction bonds	<b>12,181,180</b>	3,429,645
Cash generated from (used in) operations	<b>3,481,866,564</b>	2,625,868,369
Interest received	<b>65,233,148</b>	50,584,874
Income tax paid	<b>(1,432,058)</b>	(461,936)
Net cash flows provided by (used in) operating activities	<b>3,545,667,654</b>	2,675,991,307
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from related parties	<b>482,348,000</b>	(613,857,000)
Payments for additions to investment properties	<b>(1,282,845,862)</b>	(31,464,336)
Net cash flows provided by (used in) investing activities	<b>(800,497,862)</b>	(645,321,336)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of dividends	<b>(2,629,153,296)</b>	(1,831,489,081)
Payments of principal portion of lease liability	<b>(8,614,468)</b>	(6,549,870)
Interest paid	<b>(40,866,882)</b>	(46,947,128)
Net cash flows provided by (used) financing activities	<b>(2,678,634,646)</b>	(1,884,986,079)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>66,535,146</b>	145,683,892
<b>CASH AT BEGINNING OF PERIOD</b>	<b>41,758,546</b>	62,753,382
<b>CASH AT END OF PERIOD</b>	<b>P108,293,692</b>	P208,437,274

## **AREIT, INC.**

### **NOTES TO INTERIM FINANCIAL STATEMENTS**

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

#### **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 arising 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 at December 31, 2023, the Company is publicly-listed, 43.33%-owned by Ayala Land, Inc. (ALI), 12.12%-owned by Ayalaland Malls, Inc. (ALMI), 4.07%-owned by Ayalaland Offices, Inc. (ALOI), 2.34%-owned by Northbeacon Commercial Corp. (NBCC), 2.62%-owned by Glensworth Development, Inc. (GDI), a wholly-owned subsidiary of ALOI, 1.58%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, and the rest by the public.

ALI's parent is Ayala Corporation (AC). AC is 47.86%-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 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 (Note 18).

The Company's registered office address and principal place of business is at 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

#### *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.



### *Registration as a REIT entity*

The Company's common stock was listed in the PSE on August 13, 2020 as a REIT entity. As a REIT entity, the Company, provided it has complied with the requirements under the REIT Act, 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

## **2. Basis of Financial Statement Preparation**

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

The accompanying unaudited interim financial statements have been prepared under the going concern assumption.

### *Statement of Compliance*

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

On August 05, 2024 the Audit Committee approved and authorized the release of the accompanying unaudited interim financial statements of AREIT, Inc.

## **3. Summary of Material Accounting Policies**

### **Adoption of amended accounting standards and interpretation**

#### *(a) Amendments to existing standards adopted by the Company effective January 1, 2023*

The following amendments to existing standards have been adopted by the Company effective January 1, 2023:

Amendments to PAS 1, '*Presentation of Financial Statements*', and PFRS Practice Statement 2, '*Making Materiality Judgments*'

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, PFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of these amendments resulted in changes in the accounting policies disclosed by the Company.

*Amendments to PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'*

The amendment to PAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

*Amendments to PAS 12, 'Income Taxes'*

The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in the opening balance of retained earnings, or another component of equity, as appropriate.

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2023 that are considered to be relevant or have a material impact on the Company's financial statements.

*(b) Amendments to existing standards not yet effective and not early adopted by the Company*

The following amendments to existing standards are not mandatory for December 31, 2023 reporting period and have not been early adopted by the Company:

- *Amendments to PAS 1, 'Presentation of Financial Statements'*

Amendments made to PAS 1 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability;
- information about the covenants; and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current or non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- *Amendments to PFRS 16, 'Leases'*

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

- *Amendments to PAS 7, 'Statement of Cash Flows', and PFRS 7, 'Financial Instruments: Disclosures'*

The IASB has issued new disclosure requirements about supplier financing arrangements (SFAs), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by the standards fall short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

1. The terms and conditions of SFAs.
2. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
3. The carrying amount of the financial liabilities in item 2 for which suppliers have already received payment from the finance providers.
4. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
5. Non-cash changes in the carrying amounts of financial liabilities in item 2.
6. Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

The amendments to existing standards are not expected to have a material impact on the Company's financial statements and on foreseeable future transactions.

#### 4. Cash

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash on hand	232,500	232,500
Cash in banks	108,061,192	41,526,046
	<b>108,293,692</b>	<b>41,758,546</b>

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

#### 5. Receivables

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Finance lease receivable	10,309,761,832	8,970,700,468
Due from related parties	3,264,620,480	3,572,116,662
Trade receivables – billed	442,821,399	764,788,173
Other receivables	1,586,342	2,349,543
	<b>14,018,790,053</b>	<b>13,309,954,846</b>
Less allowance for credit losses	(117,249,385)	(117,249,385)
	<b>13,901,540,668</b>	<b>13,192,705,461</b>
Less noncurrent portion of finance lease receivable	(9,367,518,728)	(8,055,590,803)
	<b>4,534,021,940</b>	<b>5,137,114,658</b>

Trade receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are non-interest bearing and are generally collectible on 30-day term.

Other receivables pertain to non-interest bearing advances to employees which are subject to liquidation upon completion of the business transaction.

As of June 30, 2024, the aging analysis of the Company's receivables presented per class is as follows:

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	10,309,761,832	-	-	-	-	-	10,309,761,832
Due from related parties	2,113,256,000	255,211,672	199,293,213	194,802,244	502,057,351	-	3,264,620,480
Trade receivables – billed	22,141,070	58,024,194	88,966,813	77,880,429	78,559,508	117,249,385	442,821,399
<b>Total</b>	<b>12,445,158,902</b>	<b>313,235,866</b>	<b>288,260,026</b>	<b>272,682,673</b>	<b>580,616,859</b>	<b>117,249,385</b>	<b>14,017,203,711</b>

The movements in allowance for credit losses are as follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of year	117,249,385	60,404,901
Additions	-	56,844,484
Balance at end of year	<b>117,249,385</b>	<b>117,249,385</b>

## 6. Other Assets

### Other Current Assets

This account consists of:

	<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Input VAT	<b>177,061,080</b>	163,381,035
Prepaid expenses	<b>236,990,958</b>	–
Recoverable deposits	<b>16,803,010</b>	14,764,815
	<b>430,855,048</b>	178,145,850

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 pertaining to sale of goods and services that have been incurred and billings which have been received as at date. The input VAT can also be refunded subject to the approval of the BIR. Input VAT is expected to be applied against output VAT within 12 months from reporting date.

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

Recoverable deposits pertain to various utility deposits recoverable within 12 months from reporting date.

### Other Noncurrent Assets

This account consists of:

	<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Input VAT	<b>1,293,834,387</b>	1,173,692,852
Deferred input VAT	<b>183,178,802</b>	279,408,203
Creditable withholding taxes (CWT)	<b>321,812,897</b>	266,992,694
Advances to contractors	<b>9,127,237</b>	1,375,715
	<b>1,807,953,323</b>	1,721,469,464
Allowance for possible losses	<b>(125,489,884)</b>	(118,587,338)
	<b>1,682,463,439</b>	1,602,882,126

The remaining balance of input VAT and deferred input VAT are assessed to be recoverable beyond 12 months from reporting date.

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.

CWT represent the income tax amount withheld by the Company. These are recognized upon collection of the related income and utilized as tax credits against income tax due. The CWT can also be refunded subject to the approval of the BIR.

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

## 7. Investment Properties

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Beginning of the period	78,255,747,008	60,871,459,005
Acquisitions and Improvements	1,256,190,961	22,680,869,285
Property under finance lease	(1,192,000,000)	(5,497,931,010)
Gain (loss) on fair value adjustment	-	201,349,728
End of the period	78,319,937,969	₱78,255,747,008

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

- eBloc 1 - A twelve (12)-level, PEZA- accredited office development located in Cebu IT Park with a gross leasable area of 20,841.90 square meters (sq.m).
- eBloc 2 - A seventeen (17)-level, PEZA-accredited office development located in Cebu IT Park with a gross leasable area of 27,727.33 sq.m.
- eBloc 3 - A twelve (12)-level, PEZA-accredited office development located in Cebu IT Park with a gross leasable area of 15,233.00 sq.m.
- eBloc 4 - A twelve (12)-level, PEZA-accredited office development located in Cebu IT Park with a gross leasable area of 16,166.63 sq.m.
- ACC Tower - A twenty (20)-level, PEZA-accredited office development located in Ayala Center Cebu, Cebu Business Park, with a gross leasable area of 27,517.00 sq.m.
- Tech Tower - A twelve (12)-level, PEZA-accredited office development located along Sumilon corner Camiguin Roads, Cebu City, with a gross leasable area of 16,812.74 sq.m.

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

- Glorietta 1 and 2 Mall wings, a four (4)- storey commercial development with three basement floors and equipment, redeveloped in 2013, located in Makati Commercial Center, San Lorenzo Village, Makati City with gross floor area of 68,763.84 square meters (sq.m)
- Glorietta BPO 1 and BPO 2, a seven (7) storeys and eight (8) storeys Philippine Economic Zone Authority ("PEZA")-accredited office development and equipment located within Makati Commercial Center, San Lorenzo Village, Makati City, with gross leasable area of 18,770 sq.m and 21,256 sq.m, respectively.
- One Ayala East Tower, a twenty-three (23) level, PEZA- accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 30,999.07 sq.m.
- One Ayala West Tower, a eighteen (18)- level, PEZA-accredited office development and equipment, located along Ayala corner EDSA Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 39,996.00 sq.m.
- Marquee Mall, a three (3)-level, commercial development and equipment, located along Francisco G. Nepo Avenue, Angeles City, Pampanga with a gross floor area of 66,041.04 sq.m.

On January 17, 2024, the Company entered into a Deed of Absolute Sale with Econorth Resort Ventures, Inc. (ERVI), a subsidiary of Ayala Land, Inc. (ALI), to acquire SEDA Lio, a one hundred fifty-

three (153) room- resort hotel building with a total gross floor area of 17,680 square meters (sqm) for P1,192.00 million, exclusive of VAT. Simultaneous to the acquisition, the Company and ERVI, entered into a lease agreement for the room-resort hotel that is payable on quarterly guaranteed lease for a period of 25 years. The room-resort hotel building is operated by ERVI. The Company derecognized the portion of the property under finance lease.

As of June 30, 2024, the investment properties are composed of 15 stand-alone buildings, five mixed-used properties, nine condominium office units, and four land parcels as follows:

Name of properties	Details and location
<i>Stand-alone buildings</i>	
Solaris One	One (1) building in Makati City
McKinley Exchange	One (1) building in Makati City
Teleperformance Cebu	One (1) building in Cebu I.T. Park, Cebu City
eBloc Towers 1-4	Four (4) towers in Cebu I.T. Park, Cebu City
ACC Tower	One (1) tower in Ayala Center Cebu, Cebu Business Park, Cebu City
Tech Tower	One (1) tower in Sumilon cor. Camiguin Roads, Cebu City
Evotech One and Two	Two (2) office buildings in Laguna
Bacolod Capitol Corporate Center	One (1) building in Bacolod City, Negros Occidental
Ayala Northpoint Technohub	One (1) building in Bacolod City, Negros Occidental
Marquee Mall	One (1) mall building in Angeles City, Pampanga
SEDA Lio	One (1) room-resort hotel building in El Nido, Palawan
<i>Mixed-use properties</i>	
Ayala North Exchange	Two (2) office towers and one (1) serviced apartment in Makati City
The 30 <sup>th</sup> Commercial Development	One (1) office building and one (1) mall building in Pasig City
Vertis North Commercial Development	Three (3) office towers and one (1) mall building in Quezon City
One Ayala Development	Two (2) office towers in Makati, City
Glorietta 1&2	Two (2) office buildings and two (2) mall buildings in Makati, City
<i>Condominium office units</i>	
BPI-Philam Life Makati	Three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, Makati City
BPI-Philam Life Alabang	Six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City
<i>Land parcels</i>	
Laguna Technopark	Four (4) land parcels in Laguna Technopark, Laguna

The Company presents its investment properties at fair value, and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and an independent and professionally qualified appraiser as of December 31, 2023.

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.

For the Income approach, the fair value is calculated taking into consideration significant inputs and assumptions such as the discount rate, growth rate and free cash flows.

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 and market prices is accompanied by a directionally similar change in the Company's fair value of investment properties.

## 8. Accounts and Other Payables

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Due to related parties	1,897,961,155	1,387,841,859
Accounts payable	557,315,544	375,385,620
Taxes payable	185,750,733	202,773,416

Accrued expenses		
Light and water	115,316,213	53,654,236
Repairs and maintenance	29,092,085	50,708,775
Outside services	24,125,469	47,142,815
Professional fees	-	2,150,753
Rent	-	869,176
Others	18,838,974	4,545,906
Retention payable	3,624,860	2,464,208
Interest payable	8,471,882	-
	<b>2,840,496,915</b>	<b>2,127,536,764</b>

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15- to 60-day terms.

Taxes payable consists of amounts payable to the BIR pertaining to withholding taxes and deferred output VAT.

Other accrued expenses consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance, and representation.

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 non-interest bearing and are normally settled upon completion of the relevant contract.

## 9. Short-term debt

As of June 30, 2024 and December 31, 2023, the Company's short-term debt pertains to short-term loans payable with a local bank amounting to P3.00 billion, which is unsecured and with a term of 30-days. The average cost of debt is 6.0%.

## 10. Construction Bonds

Construction bonds represent cash bonds to be used as a guarantee against damages to properties resulting from the construction, renovation, or improvements being undertaken therein by the lessee. The bond will be refunded after fully completing the construction, renovation, or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to P107.87 million and P95.69 million as of June 30, 2024, and December 31, 2023, respectively.

## 11. Deposits and Other Liabilities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Security deposits	1,708,430,979	1,667,515,061
Advance rentals	1,329,075,858	1,428,973,801
Deferred credits	565,135,756	325,927,028
	<b>3,602,642,593</b>	<b>3,422,415,890</b>
Current portion	(589,139,211)	(649,210,862)
	<b>3,013,503,382</b>	<b>2,773,205,028</b>



The current portion of these accounts follows:

	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
Security deposits	<b>154,591,615</b>	175,500,235
Advance rentals	<b>138,606,088</b>	322,412,270
Deferred credits	<b>295,941,508</b>	151,298,357
	<b>589,139,211</b>	649,210,862

#### *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 months' rent and will be refunded to the lessee at the end of the lease term.

#### *Advance rentals*

Advance rentals from lessees represent cash received in advance representing rent for a certain number of months which will usually 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.

## **12. Equity**

#### *Paid-up capital*

The details of the Company's paid-up capital as at June 30, 2024 and December 31, 2023 follow:

	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
Authorized	<b>4,050,000,000</b>	4,050,000,000
Par value per share	<b>10.00</b>	10.00
Issued and outstanding shares	<b>2,368,606,573</b>	2,368,606,573

The changes in the number of shares are as follows:

	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
<i>Authorized number of shares</i>		
Beginning (P10.00 par value)	4,050,000,000	2,950,000,000
Increase in authorized capital stock	-	1,100,000,000
Ending	4,050,000,000	4,050,000,000
<i>Issued shares</i>		
Beginning	2,435,936,543	1,828,377,163
Issuance of new shares	-	607,559,380
Ending	2,435,936,543	2,435,936,543
<i>Treasury shares</i>		
Beginning and ending	(67,329,970)	(67,329,970)
Outstanding shares	2,368,606,573	2,368,606,573

On March 07, 2023 and April 26, 2023, the Company's BOD and its stockholders approved the issuance of 607,559,380 primary common shares of stock of the Company to ALI, ALMI and NBCC at an issue

price of P37.00 per share in exchange for the identified properties. On September 20, 2023, the SEC approved the property-for-share swap transaction.

#### *Additional Paid-in Capital (APIC)*

In 2023, the Company recorded APIC amounting to P16,298 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to P105.72 million in 2023.

#### *Cash dividends*

On February 24, 2023, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2022, amounting to P0.52 per outstanding common share to stockholders on record as of March 10, 2023, amounting to P915.74 million. The cash dividend was paid on March 24, 2023, to stockholders.

On May 17, 2023, the Company's BOD approved the declaration of cash dividends for the first quarter of 2023, amounting to P0.52 per outstanding common share to stockholders on record as of May 31, 2023, amounting to P915.74 million. The cash dividend was paid on June 16, 2023, to stockholders.

On August 14, 2023, the Company's BOD approved the declaration of cash dividends for the second quarter of 2023, amounting to P0.53 per outstanding common share to stockholders on record as of August 30, 2023, amounting to P933.36 million. The cash dividend was paid on September 13, 2023, to stockholders.

On November 16, 2023, the Company's BOD approved the declaration of cash dividends for the third quarter of 2023, amounting to P0.55 per outstanding common share to stockholders on record as of December 1, 2023, amounting to P1,302.73 million. The cash dividend was paid on December 15, 2023, to stockholders.

On February 19, 2024, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2023, amounting to P0.55 per outstanding common share to stockholders on record as of March 4, 2024, amounting to P1,302.73 million. The cash dividend was paid on March 20, 2024, to stockholders.

On May 14, 2024, the Company's BOD approved the declaration of cash dividends for the first quarter of 2024, amounting to P0.56 per outstanding common share to stockholders on record as of May 28, 2024, amounting to P1,326.42 million. The cash dividend was paid on June 13, 2024, to stockholders.

On July 12, 2024, the Company's BOD approved the declaration of cash dividends for the second quarter of 2024, amounting to P0.56 per outstanding common share to stockholders on record as of July 26, 2024, amounting to P1,326.42 million. The cash dividend was paid on August 11, 2024, to stockholders.

#### *Distributable Income*

Under the Revised Implementing Rules and Regulations (IRR) 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 PFRSs.

The computation of the distributable income of the Company as of June 30, 2024, is shown below:

	<b>June 30 2024 (Unaudited)</b>
Net income	<b>2,861,292,984</b>
Unrealized gains:	
Unrealized (gain)/loss on fair value change in investment properties	<b>86,254,902</b>
Distributable Income	<b>2,947,547,886</b>

### *Capital Management*

The primary objective of the Company's capital management policies is to afford the financial flexibility to support its business initiatives while providing a sufficient cushion to absorb cyclical industry risks and to maximize stakeholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company's sources of capital as of June 30, 2024, and December 31, 2023, follow:

	<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Paid-up capital	<b>24,359,365,430</b>	24,359,365,430
Additional paid- in capital	<b>36,320,032,381</b>	36,320,032,381
Treasury shares	<b>(673,299,700)</b>	(673,299,700)
Retained earnings	<b>23,635,878,385</b>	23,403,738,698
	<b>83,641,976,496</b>	83,409,836,809

## **13. Related Party Transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence, including affiliates.

### Terms and Conditions of Transactions with Related Parties

In its regular business conduct, the Company has entered into transactions with related parties consisting of advances and development, management, marketing and leasing, and administrative service agreements. These are based on terms agreed by the parties.

Outstanding balances at yearend are unsecured, noninterest-bearing, and settlement occurs in cash unless otherwise indicated. No guarantees have been provided or received for any related party receivables or payables.

The following tables provide the value and outstanding balances of transactions that have been entered into with related parties for the relevant financial year:

Related Party Category	<b>June 30 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Due from related parties		
Parent Company		
Ayala Land, Inc.	<b>501,040,788</b>	439,653,075
Affiliates*	<b>13,040,560,871</b>	12,082,896,678
Other related parties		
BPI/MS Insurance Corporation	<b>23,381,232</b>	7,655,094
Integrated Microelectronics Inc	<b>7,164,612</b>	-
Globe Telecom, Inc.	<b>1,388,454</b>	838,935
Bank of the Philippine Islands	<b>846,355</b>	11,773,348
	<b>32,780,653</b>	20,267,377
	<b>13,574,382,312</b>	12,542,817,130

*\*Entities under common control*

Related Party Category	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Due to related parties		
Parent Company		
Ayala Land, Inc.	534,571,365	394,088,299
Affiliates*	1,351,226,654	985,400,924
Other related parties		
Manila Water Philippine Ventures, Inc.	8,616,300	4,036,202
Manila Water Company Inc	3,368,775	4,121,543
Innove Communications	145,115	155,221
Globe Telecom, Inc.	22,846	29,570
BPI Capital Corporation	10,100	10,100
	12,163,136	8,352,636
	1,897,961,155	1,387,841,859

*\*Entities under common control*

#### 14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, accounts and other payables and security deposits arising directly from its operations. The main risks arising from using financial instruments are liquidity and credit risks.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to credit, interest rate, and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Before the Company's listing, ALI's financing and treasury function operated as a centralized service for managing financial risks and activities and providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company.

##### *Market risk*

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate risk, and other price risks.

##### *Foreign currency risk*

The Company has no financial assets and liabilities denominated in foreign currencies and, therefore, it has no exposure to foreign currency risk.

##### *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a

financial instrument will fluctuate because of changes in market interest rates.

Cash in banks do not have significant exposure to cash flow interest rate risk as they are subject to minimal interest. Finance lease receivables, due from related parties, and lease liabilities do not have significant exposure to cash flow interest rate risk as such are subject to fixed interest rates. The Company has no financial assets carried at fair value and, therefore, it has no exposure to fair value interest rate risk.

#### *Price risk*

The Company has no exposure to price risk as its financial assets are measured at amortized cost.

#### *Credit risk*

Credit risk refers to 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 receivables 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 finance lease and trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

#### *Liquidity risk*

The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost and ensures the availability of ample unused credit facilities as back-up liquidity.

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as at June 30, 2024 is P23.00 billion. The Company may also refinance its loans and manage payment terms for its payables.

## **15. Fair Value Measurement**

The Company follows the fair value measurement hierarchy to disclose the fair value measurements of its financial instruments.

As of June 30, 2024 and December 31, 2023, the Company has no financial instrument measured at fair value.

In 2023 and 2022, 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. Due to the short-term nature of the transactions, the carrying values of the Company's other financial instruments as of December 31, 2023, and 2022 approximate their fair values.

## **16. Notes to Interim Statements of Cash Flow**

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

### **Operating**

- Interest income from finance lease amounting to P391.17 million and P109.79 million for six months ended June 30, 2024, and 2023.

## **17. Segment Reporting**

The Company has determined that it is currently operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Company's four parcels of land, nine condominium office units, and thirteen-building lease operations are its only income-generating activity, and such is the measure the management uses in allocating resources.

## **18. Seasonality of Operations**

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

## **19. Events After Financial Reporting Date**

On July 12, 2024, the Company's BOD approved the declaration of cash dividends for the second quarter of 2024, amounting to P0.56 per outstanding common share to stockholders on record as of July 26, 2024, amounting to P1,326.42 million. The cash dividend was paid on August 11, 2024.

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

### **Review of 1H 2024 operations vs 1H 2023**

The Company's net income before the net fair value change in investment properties increased by 44% from P2,040.96 million in 2023 and P2,947.55 million in 2024. The increase was mainly due to income from the contribution of additional properties acquired in the third quarter of 2023 and January 2024 and stable operations. The Company's net income after tax increased by 40% from P2,037.96 million in 2023 to P2,861.29 million in 2024.

### **Revenues**

Total revenues increased by 43% from P2,970.12 million in 2023 to P4,233.58 million in 2024. This growth was mainly driven by higher rental income and dues.

Rental Income increased by 38% from P2,276.48 million in 2023 to P3,142.86 million in 2024. The increase was primarily attributable to the new assets acquired, namely, One Ayala West & East Towers, Glorietta 1 and 2 BPO and Mall wing and Marquee Mall acquired in July 2023 and SEDA Lio in January 2024.

Dues increased by 20% from P583.85 million in 2023 to P699.55 million in 2024. The increase was attributable to the operations of new assets acquired in July 2023 and January 2024.

Interest income from finance leases amounted to P109.79 million in 2023 and P391.17 million in 2024, attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019, long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which begun on January 1, 2021, and October 1, 2021, for Vertis Mall and long-term leases of AyalaLand Malls, Inc. and Northbeacon Commercial Corporation with the Company, for Glorietta 1 and 2 mall wing and Marquee mall commenced on July 1, 2023 and Seda Lio on January 17, 2024.

### **Cost and Expenses**

Direct operating expenses increased by 39% in 2024 from P838.02 million in 2023 to P1,168.33 million in 2024. The increase was primarily due to expenses from the operations of additional properties acquired in July 2023 and January 2024.

General and administrative expenses decreased by 2% from P35.67 million in 2023 to P34.89 million in 2024, mainly due to lower provision for doubtful accounts.

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

Interest Income increased by 29% from P50.58 million in 2023 to P65.23 million in 2024. The increase was mainly due to increased interest income from intercompany loans.

Interest expense and other charges increased by 39% from P105.60 million in 2023 to P146.62 million in 2024. The increase was due to higher interest rates on short-term debt.

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

The Company recognized a reduction in fair value in investment properties of (P86.25million) and (P2.99 million) for six months ended June 30, 2023 and 2024, respectively.

## Provision for Income Tax

*Income tax provision* increased from P461,935 in 2023 to P1,432,057 million in 2024 due to the final tax on interest income from banks.

## Capital Expenditure

The Company has no material commitments for capital expenditures.

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

### **Balance Sheet items- June 30, 2024, versus December 31, 2023**

**Cash** increased by 159%, due to higher collections from tenants.

**Receivables current portion** decreased by 12%, due to higher collections.

**Other current assets** increased by 142%, mainly due to higher prepaid expenses on payments of business and real property taxes, which are being amortized over the year.

**Receivables noncurrent portion** increased by 16%, mainly due to additional finance lease receivable recognized in January 2024, for the building lease of SEDA Lio.

**Property and equipment** decreased by 13% due to recognition of depreciation for the period.

**Other noncurrent assets** increased by 5%, mainly due to higher creditable withholding tax and input VAT brought by the operations of newly acquired properties.

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

**Deposits and other liabilities- current**, decreased by 9% due to lower advance rental collection.

**Construction bonds** increased by 13% due to additional bonds collected to be used as a guarantee against damages to properties resulting from construction, renovation, or improvements.

**Deposits and other liabilities- noncurrent portion**, increased by 9%, due to additional security deposit and advance rent for the year.

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## Financial Condition

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

As of June 30, 2024, total current assets, including cash, current portion of receivable, input VAT, prepaid expenses, and recoverable deposits, stood at P5,073.17 million, resulting in a current ratio of 0.77:1.

As of June 30, 2024, total debt registered at P3.00 billion, translating to a debt-to-equity ratio of 0.04:1 and a net debt-to-equity ratio of 0.03:1.

Return on equity is at 7% as of June 30, 2024.



<b>Key Financial Ratios</b>	<b>2024</b>	<b>2023</b>
Current Ratio <sup>(1)</sup>	0.77	0.90
Debt to Equity <sup>(2)</sup>	0.04	0.04
Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	6%
Return on Equity <sup>(4)</sup>	7%	7%
Asset to Equity Ratio <sup>(5)</sup>	1.13	1.12

<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 expired on December 28, 2023. The Company refinanced through the availment of short-term bank loan.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- No known trend, event, or uncertainty has had or is reasonably expected to materially impact the net sales, revenues, or income from continuing operations.
- There is no significant element of income arising from continuing operations.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- No known events and uncertainties will trigger direct or contingent financial obligation material to the Company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

**Property Performance as of June 30, 2024**

Property	Location	Valuation Date	Valuation cost (in Pesos, millions) <sup>1</sup>	Total gross leasable area (GLA) (in sq.m)	Occupied GLA (in sq.m)	Occupancy rate	Remaining Land lease term	Rental Income (in Pesos, millions) <sup>1</sup>	Gross Revenues (in Pesos, millions)
Solaris	Makati	Dec 2023	7,056	46,768	44,038	94%	25	180	195
Ayala North Exchange <sup>1</sup>	Makati	Dec 2023	9,744	95,314	82,822	87%	34	359	498
MECC	Makati	Dec 2023	1,720	10,688	10,241	96%	31	76	92
TP Cebu	Cebu	Dec 2023	1,827	18,093	18,093	100%	27	84	106
The 30th <sup>1</sup>	Pasig	Dec 2023	4,659	74,704	73,514	98%	32	201	280
Laguna Technopark Land	Laguna	Dec 2023	1,489	98,179	98,179	100%	n/a	45	45
Vertis	Quezon City	Dec 2023	16,353	164,450	151,787	92%	35	610	788
BPI- Philam Makati	Makati	Dec 2023	178	1,072	660	62%	n/a	2	3
BPI- Philam Alabang	Muntinlupa	Dec 2023	27	551	551	100%	n/a	1	2
Bacolod Capitol	Negros Occidental	Dec 2023	783	11,313	11,313	100%	38	35	46
Ayala Northpoint	Negros Occidental	Dec 2023	318	4,654	4,654	100%	34	13	16
Evotech	Laguna	Dec 2023	2,833	23,727	23,439	99%	34	94	155
eBloc Towers 1 to 4	Cebu	Dec 2023	7,890	79,640	76,463	96%	34	322	435
ACC Tower	Cebu	Dec 2023	2,024	27,458	23,852	87%	34	91	99
Tech Tower	Cebu	Dec 2023	1,011	16,273	12,850	79%	34	41	47
One Ayala West and East Towers	Makati	Dec 2023	12,854	70,995	70,995	100%	41	714	797
Glorietta 1&2 BPOs and Mall <sup>1</sup>	Makati	Dec 2023	8,389	108,790	108,365	100%	35	274	490
Marquee Mall	Pampanga	Dec 2023	2,070	66,041	66,041	100%	24	-	91
SEDA Lio	Palawan			17,680	17,680	100%	25	-	51

<sup>(1)</sup> Does not include portion of ANE Seda, The 30th Mall, Vertis Mall, Glorietta 1&2 Mall, Marquee Mall and Seda Lio which are accounted for under finance lease

## PART II- OTHER INFORMATION

### Item 3. Developments as of June 30, 2024

- |  |   |                           |
|--|---|---------------------------|
| <b>A. New project or investments in another line of business or corporation</b>  | None  |                           |
| <b>B. Composition of Board of Directors<br/>(as of April 23, 2024)</b>   | Anna Ma. Margarita B. Dy  | Chairman                  |
|  | Carol T. Mills  | President & CEO           |
|  | Augusto D. Bengzon  | Non-Executive Director    |
|  | Mariana Zobel de Ayala  | Non-Executive Director    |
|  | Maria Theresa Marcial-Javier  | Non-Executive Director    |
|  | Omar T. Cruz  | Lead Independent Director |
|  | Enrico S. Cruz  | Independent Director      |
|  | Sherisa P. Nuesa  | Independent Director      |
| <b>C. Performance of the corporation or result/progress of operations</b>  | Please see the unaudited financial statements and management's discussion on the results of operations.   |                           |
| <b>D. Declaration of dividends</b>   | <p>₱0.55 cash dividend per outstanding common share<br/> Declaration date: November 17, 2023<br/> Record date: December 01, 2023<br/> Payment date: December 15, 2023</p> <p>₱0.55 cash dividend per outstanding common share<br/> Declaration date: February 20, 2024<br/> Record date: March 04, 2024<br/> Payment date: March 20, 2024</p> <p>₱0.56 cash dividend per outstanding common share<br/> Declaration date: May 15, 2024<br/> Record date: May 28, 2024<br/> Payment date: June 13, 2024</p> |                           |
| <b>E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements</b> | None  |                           |
| <b>F. Offering of rights, granting of Stock Options, and corresponding plans, therefore</b>  | None  |                           |

- |   |      |
|---|------|
| <b>G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate</b>                        | None |
| <b>H. Other information, material events, or happenings that may have affected or may affect the market price of the security</b> | None |
| <b>I. Transferring of assets, except in the normal course of business</b>   | None |

**Item 4. Other Notes to 1H 2024 Operations and Financials**

- |  |  |
|--|--|
| <b>J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents</b>   | Please see Item 2: Management's Discussion on Results of Operations and Analysis.  |
| <b>K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period</b>   | Please see page 26: Causes for any material changes (+/- 5% or more) in the financial statements   |
| <b>L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities</b>   | None   |
| <b>M. Material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period</b>   | <b>July 12, 2024</b>   On July 12, 2024, the Company's BOD approved the declaration of cash dividends for the second quarter of 2024, amounting to P0.56 per outstanding common share to stockholders on record as of July 26, 2024, amounting to P1,326.42 million. The cash dividend was paid on August 11, 2024, to stockholders. |
| <b>N. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</b> | None   |
| <b>O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date</b>  | None   |
| <b>P. Other material events or transactions during the interim period</b>  | <b>May 15, 2024</b>   Please be informed that our Board of Directors, at its regular meeting held today, approved the declaration of regular cash dividend of Php0.56 per common   |

share. This dividend is for the first quarter of 2024. The record date is May 28, 2024, and the payment date is June 13, 2024.

<b>Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation</b>	None
<b>R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period</b>	None
<b>S. Material commitments for capital expenditures, general-purpose and expected sources of funds</b>	None
<b>T. Known trends, events, or uncertainties that have had or that are reasonably expected to have an impact on sales/revenues/ income from continuing operations</b>	AREIT's performance will depend on the state of the Philippine Office Sector.
<b>U. Significant elements of income or loss that did not arise from continuing operations</b>	None
<b>V. Causes for any material change/s from period to period, in one, or more line items of the financial statements</b>	Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
<b>W. Seasonal aspects that had a material effect on the financial condition or results of operations</b>	None
<b>X. Disclosures not made under SEC Form 17-C</b>	None.

## Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-June 2024 (Unaudited)	End-December 2023 (Audited)
Current ratio <sup>1</sup>	0.77:1	0.90:1
Debt-to-equity ratio <sup>2</sup>	0.04:1	0.04:1
Net debt-to-equity ratio <sup>3</sup>	0.03:1	0.04:1
Profitability Ratios:		
Return on Assets <sup>4</sup>	6%	6%
Return on Equity <sup>5</sup>	7%	7%
Asset to Equity Ratio <sup>6</sup>	1.13:1	1.12:1

**Notes:**

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

**SIGNATURE**

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

Issuer: **AREIT, INC.**

By:

A handwritten signature in black ink, appearing to read 'mfamy', is written over the printed name.

**MA. TERESA R. FAMY**  
Treasurer and Chief Finance Officer

Date: August 14, 2024