



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **AREIT, INC.** will be conducted virtually via <https://conveneagm.com/ph/AREIT2025ASM> on **Thursday, April 24, 2025** at **3:00 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. Matters for Approval of Stockholders
  - i. Approval of Minutes of Previous Meeting
  - ii. Ratification of the Acts of the Board of Directors and Management
  - iii. Approval of Issuance of Common Shares in Exchange for Properties
  - iv. Increase in compensation of independent and non-executive directors
  - v. Election of Directors (Including the Independent Directors)
  - vi. Election of External Auditor and Fixing of its Remuneration
  - vii. Approval of the Audited Financial Statements, including noting of Annual Report
4. Consideration of Such Other Business as May Properly Come Before the Meeting
5. Presentation of Management and Open Forum
6. Adjournment

Pursuant to the Company's By-Laws, the Chairman, acting on the authority delegated by the Board of Directors during its meeting on November 13, 2024, has approved that the Annual Stockholders' Meeting be conducted in a fully virtual format. Stockholders may only attend the meeting by remote communication and by voting *in absentia*, electronically or by proxy.

Only stockholders of record as of **March 21, 2025** are entitled to notice of, and to vote at, this meeting. Stockholders intending to participate by remote communication should notify the Company by email on or before **April 11, 2025**. Stockholders may likewise register online via Convene AGM starting March 28, 2025. Voting may be *in absentia*, electronically or by proxy, subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting of votes *in absentia*, electronically or by proxy, will be set forth in the Information Statement.<sup>2</sup>

Duly accomplished proxy form and voting instruction addressed to the Office of the Corporate Secretary shall be submitted on or before **April 11, 2025** at 37/F Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City or by email. Validation of proxies is set for April 15, 2025 at 9:00 o'clock in the morning.

Stockholders of record as of March 21, 2025 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 16, 2025**.<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.

This notice supersedes the notice filed on March 7, 2025 with the Securities and Exchange Commission and Philippine Stock Exchange.

Makati City, March 14, 2025.

  
**MARIA FRANCHETTE M. ACOSTA**  
Corporate Secretary

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

<sup>2</sup> Stockholders should notify the Company by email of their preference to receive hard copies of the Information Statement and other ASM materials on or before March 21, 2025.

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

## **EXPLANATION OF AGENDA ITEMS WITH PROPOSED RESOLUTIONS**

### **Call to order**

The Chairman will formally open the meeting at approximately 3:00 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, <https://conveneagm.com/ph/AREIT2025ASM>, which may be accessed by the stockholders to register and vote electronically *in absentia* on the matters for resolution at the meeting.<sup>1</sup> A stockholder participating by remote communication or voting *in absentia*, electronically or by proxy, 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 at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph).
- (ii) Each of the proposed resolutions will be shown on the screen during the meeting as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company through [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 11, 2025 of their intention to participate in the Meeting by remote communication in order to be included in the determination of the existence of a quorum, together with the stockholders who voted *in absentia*, electronically and by proxy.
- (iv) Voting shall only be allowed for validated stockholders registered in Convene AGM or who submitted a duly accomplished proxy form. Stockholders registered in Convene AGM may cast their votes through the said system at any time prior to or at real time during the meeting. Vote tabulation shall be completed and finalized after the meeting.
- (v) All the items in the agenda for 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 unless the law requires otherwise.
- (vi) 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.
- (vii) The Proxy Validation Committee will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of initial voting during the meeting.
- (viii) The meeting proceedings shall be recorded in audio and video format.

### **Matters for Stockholders Approval**

#### **1. Approval of minutes of previous meeting**

The minutes of the meeting held on April 23, 2024 are available at the Company's website, [www.areit.com.ph](http://www.areit.com.ph) and shall be presented for stockholders' approval. Below is the proposed resolution:

*"RESOLVED, to approve the minutes of the annual stockholders' meeting held on April 23, 2024."*

#### **2. Ratification of the acts of the Board of Directors and Management**

The actions of the Board and its committees taken and the acts of the management to implement the resolutions of the Board or its committees or made in the general conduct of business since the annual stockholders' meeting on April 23, 2024 until April 24, 2025 shall be presented for stockholders' ratification. They include the approval of the Company's agreements, projects, investments, capital allocations, treasury-related matters and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. Below is the proposed resolution:

*"RESOLVED, to ratify each and every act and resolution, from April 23, 2024 until April 24, 2025 (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 of the officers of the Corporation, during the Period, performed in accordance with the resolutions of the Board, the Executive Committee, and other Board committees as well as with the By-Laws of the Corporation."*

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<sup>1</sup> The detailed instructions pertaining to the URL and the use thereof will be provided in the Information Statement.

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

Approval of the stockholders will be sought for the issuance of 505,890,177 primary common shares to Ayala Land, Inc. (“ALI”) and its subsidiaries, Accendo Commercial Corporation (Accendo), Cagayan de Oro Gateway Corporation (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI) in exchange for eight (8) commercial properties with an aggregate value of ₱20,994,442,345.50, as validated by a third-party fairness opinion. 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. Below is the proposed resolution:

*“RESOLVED, to approve the issuance of 505,890,177 primary common shares to Ayala Land, Inc. (ALI), and its subsidiaries, Accendo Commercial Corporation (Accendo), Cagayan de Oro Gateway Corporation (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI), in exchange of identified properties owned by ALI, Accendo, CDOGC, and CBHVI valued at Twenty Billion Nine Hundred Ninety-Four Million Four Hundred Forty-Two Thousand Three Hundred Forty-Five and 50/100 Pesos (₱20,994,442,345.50), under a property-for-share swap. At an issue price of ₱41.50 per share, set at a ~2% premium over the thirty (30)-day volume weighted average price (30-day VWAP) of ₱40.68 or the prevailing Market Price.”*

4. Increase in compensation of independent and non-executive directors

As endorsed by the Board of Directors, the recommendation to increase the compensation of independent and non-executive directors from Forty Thousand Pesos (₱40,000.00) to Sixty Thousand Pesos (₱60,000.00) per Board meeting attended, and from Twenty Thousand Pesos (₱20,000.00) to Thirty Thousand Pesos (₱30,000.00) for every committee meeting attended, shall be presented for stockholders’ approval. The proposed increase is to ensure that the Company would have the best independent and non-executive directors and to align with competitive benchmarking results. Below is the proposed resolution:

*“RESOLVED, as endorsed by the Board of Directors, to approve the increase in compensation of independent and non-executive directors from Forty Thousand Pesos (₱40,000.00) to Sixty Thousand Pesos (₱60,000.00) for every Board meeting attended, and from Twenty Thousand Pesos (₱20,000.00) to Thirty Thousand Pesos (₱30,000.00) for every committee meeting attended.”*

5. Election of directors (including the independent directors)

The eight (8) nominees for directors, including the nominees for independent directors, as evaluated by the Corporate Governance and Nomination Committee of the Board to have all the qualifications and competence necessary for the effective performance of the Board’s roles and responsibilities, and none of the disqualifications to serve as members of the Board, shall be presented for election to the stockholders. Below is the proposed resolution:

*“RESOLVED, to elect the following [subject to votes cast] as directors of the Corporation to serve as such beginning April 24, 2025 until their successors are elected and qualified:*

*Anna Ma. Margarita B. Dy  
Mariana Beatriz E. Zobel de Ayala  
Augusto D. Bengzon  
Jose Eduardo A. Quimpo II  
Maria Theresa D. Marcial  
Omar T. Cruz  
Enrico S. Cruz  
Sherisa P. Nuesa”*

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

6. Appointment of external auditor and fixing of its remuneration

As endorsed by the Audit Committee, the appointment of Isla Lipana & Co. (PWC) as the external auditor for the ensuing year as well as its proposed remuneration shall be presented for stockholders’ approval. The external auditor conducts an independent verification of the Company’s financial statements and provides an objective assurance on the accuracy of its financial statements. Below is the proposed resolution:

*“RESOLVED, as endorsed by the Board of Directors, to approve the appointment of Isla Lipana & Co. (PWC) as the external auditor of the Corporation for the year 2025 with an audit fee of Eight Hundred Eighty-Two Thousand Pesos (₱882,000.00), net of value-added tax and out-of-pocket expenses, with inflationary allowance of up to 5%.”*

The profile of the external auditor will be provided in the Information Statement.

7. Approval of the Audited Financial Statements, including noting of Annual Report

The Audited Financial Statements as of December 31, 2024 (AFS), to be approved by the Board upon the recommendation of the Audit Committee, will be embodied in the Information Statement to be sent to the stockholders at least 15 business days prior to the meeting. The Audited Financial Statement shall be presented for stockholders' approval during the meeting, together with the noting of the Company's annual report. The annual report will contain the "Message from the Chairman and President."

*"RESOLVED, to approve the audited financial statements of the Corporation as of December 31, 2025, as audited by the Corporation's external auditor, Isla Lipana & Co. (PWC)."*

8. Consideration of such other business as may properly come before the meeting

The Chairman will take up agenda items received from stockholders on or before April 16, 2025 in accordance with existing laws, rules and regulations of the Securities and Exchange Commission and the Company's internal guidelines.<sup>2</sup>

9. Presentation of Management and Open Forum

The Chairman, Ms. Anna Ma. Margarita B. Dy, and the President and Chief Executive Officer, Mr. Jose Eduardo A. Quimpo, II, will report on the performance of the Company in 2024 and the outlook for 2025. The Company's performance is also embodied in the Company's Annual Report. A soft copy of the Annual Report will be posted on the Company's website, [www.aret.com.ph](http://www.aret.com.ph).

The Chairman will open the floor for comments and questions by the stockholders.

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<sup>2</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/>.



## PROXY AND VOTING INSTRUCTION

### 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 24, 2025, at 3:00 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 the stockholders of the Company on April 24, 2025 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 matter to be taken up during the meeting.

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 matter 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 Statements and as recommended by the Chairman.

#### Agenda Items

1. Approval of minutes of previous meeting.

☐ For ☐ Against ☐ Abstain

2. Ratification of the acts of the Board of Directors and Management.

☐ For ☐ Against ☐ Abstain

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

☐ For ☐ Against ☐ Abstain

4. Increase in compensation of independent and non-executive directors.

☐ For ☐ Against ☐ Abstain

5. Election of Directors.

6. Appointment of Isla Lipana & Co. (PWC) as the external auditor and fixing of its remuneration.

☐ For ☐ Against ☐ Abstain

7. Approval of the Audited Financial Statements, including noting of Annual Report.

☐ 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 ☐ Abstain

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER /  
AUTHORIZED SIGNATORY

\_\_\_\_\_  
NUMBER OF SHARES HELD

\_\_\_\_\_  
DATE

No. of Votes

Anna Ma. Margarita B. Dy

Jose Eduardo A. Quimpo, II

Augusto D. Bengzon

Mariana Zobel de Ayala

Maria Theresa D. Marcial

*Independent Directors*

Omar. T. Cruz

Enrico S. Cruz

Sherisa P. Nuesa

A scanned copy of this Proxy and Voting Instruction should be received by the Corporate Secretary at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before **April 11, 2025**, the deadline for submission of Proxies. 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. For stockholders with shares lodged with their registered brokers, please attach to this Proxy form a Certification from the broker as to the number of shares registered under the name of the stockholder as of the Record Date of **March 21, 2025**.

**3. REVOCABILITY OF PROXY**

The Proxy and Voting Instruction 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 and Voting Instruction is also considered revoked if the stockholder registers and votes on the Company's secured online voting system, <https://conveneagm.com/ph/AREIT2025ASM> (the "Voting System" or "Convene AGM"). This Proxy and Voting Instruction shall be deemed revoked after the right granted is exercised during the Annual Stockholders' Meeting of the Company on April 24, 2025. Shares represented by an unrevoked Proxy will be voted as authorized by the stockholder.

**4. PERSON MAKING THE SOLICITATION**

The solicitation is made by the Company. No director of the Company has informed the former in writing that s/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 statements 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. 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.**

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement  
of

AREIT, INC.

(the "Company", "Corporation" or "AREIT")

Pursuant to Section 20 of the Securities Regulation Code (the "Code" or "SRC")

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: **28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City 1226**

7. Registrant's telephone number: **(632) 7908 3804**

8. Date, time and place of the meeting of stockholders:

**Date: April 24, 2025**

**Time: 3:00 P.M.**

**Place: To conducted virtually through**

**<https://conveneagm.com/ph/AREIT2025ASM>**

**To be presided by the Chairman in Fairmont Hotel, Makati Avenue, Makati City**

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

**Date: March 27, 2025**

10. In case of Proxy Solicitations

**Name of Person Filing  
the Statement/Solicitor**

**AREIT, Inc.**

**Address and Telephone No.**

**28<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, 1226  
(632) 7908 3804**

11. 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 March 21, 2025

<u>Title of each class</u>	<u>Par value</u>	<u>No. of shares</u>	<u>Amount</u>
<b>Common</b>	<b>₱ 10.00</b>	<b>3,277,195,955</b>	<b>₱ 32,771,959,550.00</b>

- b. Outstanding debt as of March 21, 2025: **₱2,000,000,000.00**

12. Are any or all of registrant's securities listed in a stock exchange?

☒ Yes

☐ No

**1,576,240,780 common shares are listed in the Philippine Stock Exchange (“PSE”).<sup>1</sup>**

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<sup>1</sup> The application for listing for the 252,136,383 common shares issued to Ayala Land, Inc. (ALI) in December 2022 in exchange for assets located in Cebu is currently pending with the PSE, while the application for listing of the 607,559,380 common shares issued to ALI, and its subsidiaries, AyalaLand Malls, Inc., (ALMI) and Northbeacon Commercial Corp. (NBCC) in exchange for assets located in Makati and Pampanga approved by the Securities and Exchange Commission last September 20, 2023 will be filed with the PSE upon issuance of the Certificates Authorizing Registration by the Bureau of Internal Revenue (BIR). Similarly, the 841,259,412 common shares issued to ALI, its subsidiaries, Greenhaven Property Ventures, Inc. (Greenhaven) and Cebu Insular Hotel Co., Inc., (Cebu Insular), and Buendia Christiana Holdings Corp., (BCHC) in exchange for assets located in Makati, Cebu, and Zambales approved by the Securities and Exchange Commission on September 25, 2024, will be applied for listing with the PSE upon issuance of the Certificates Authorizing Registration by the BIR.

## INFORMATION REQUIRED IN INFORMATION STATEMENT

### A. GENERAL INFORMATION

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

- a.     **Date**                     April 24, 2025  
       **Time**                     3:00 P.M.  
       **Place**                     To conducted virtually through  
                                      <https://conveneagm.com/ph/AREIT2025ASM>  
                                      To be presided by the Chairman in Fairmont Hotel, Makati Avenue, Makati City  
       **Principal Office**   28<sup>th</sup> Floor, Tower One and Exchange Plaza  
                                      Ayala Triangle, Ayala Avenue, Makati City, 1226
- b.     Approximate date when the Information Statement is first to be sent to stockholders:
- The Information Statement may be accessed by the Company’s stockholders beginning March 27, 2025 at the Company’s website, <https://areit.com.ph>.

The enclosed Proxy and Voting Instruction is solicited for and on behalf of the Company for use in connection with the Annual Stockholders’ Meeting of the Company on April 24, 2025.

**Item 2. Dissenter’s right of appraisal**

Under Sections 41 and 80, Titles IV and X, respectively 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 corporate funds by the Company in any other corporation or business or for any purpose other than the primary purpose of the Corporation.

Sections 41 and 81 of the Revised Corporation Code provides:

*“Section 41. Power to Invest Corporate Funds in Another Corporation or Business or for Any Other Purpose. – Subject to the provisions of this Code, a private corporation may invest its funds in any other corporation, business, or for any purpose other than the primary purpose for which it was organized, when approved by a majority of the board of directors or trustees and ratified by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or by at least two-thirds (2/3) of the members in the case of nonstock corporations at a meeting duly called for the purpose. Notice of the proposed investment and the time and place of the meeting shall be addressed to each stockholder or member at the place of residence as shown in the books of the corporation and deposited to the addressee in the post office with postage prepaid, served personally, or sent electronically in accordance with the rules and regulations of the Commission on the use of electronic data message, when allowed by the bylaws or done with the consent of the stockholders: Provided, That any dissenting stockholder shall have appraisal right as provided in this Code: Provided, however, That where the investment by the corporation is reasonably necessary to accomplish its primary purpose as stated in the articles of incorporation, the approval of the stockholders or members shall not be necessary.*

*Section 81. How Right is Exercised. - The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair market value of shares held within thirty (30) days from the date on which the vote was taken: Provided, That the failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholders' shares, or the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.*

*If within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom, shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: Provided further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the share to the corporation."*

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

**Item 3. Interest of certain persons in or opposition to matters to be acted upon**

None of the current Directors or Executive Officers of the Company have any personal involvement or substantial interest, either direct or indirect, by security holdings or otherwise, in the matters to be acted upon, other than election to office.

No Director has informed the Company of his opposition to any matter to be acted upon.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting securities and principal holders thereof**

- (a) **Number of shares outstanding as of March 21, 2025:**  
3,209,865,985 common shares

**Number of votes per share:** One (1) vote per share

- (b) All stockholders of record as of March 21, 2025 (the "Record Date") are entitled to 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.)”

Stockholders may vote on the resolutions for approval at the meeting by appointing the Chairman of the Meeting as their proxy or electronically *in absentia* using the online web address, <https://conveneagm.com/ph/AREIT2025ASM>, subject to validation procedures. A stockholder voting electronically or *in absentia* shall be deemed present for purposes of quorum. The detailed instructions for electronic voting *in absentia* are set forth in Annex A.

**Method of Voting:** Straight and Cumulative Voting

In all items for approval, each 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, or its alternates, as their proxy or electronically *in absentia* using the online web address, <https://conveneagm.com/ph/AREIT2025ASM>.

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.

**(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 March 21, 2025:**

TITLE OF CLASS OF SHARES	NAME AND ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	PERCENT OF OUTSTANDING SHARES
Common	Ayala Land, Inc. (ALI) <sup>1</sup> 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. <sup>2</sup>	Filipino	1,319,597,394	41.111%
Common	PCD Nominee Corporation (Filipino) <sup>3</sup> G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers <sup>4</sup>	Filipino	1,107,316,046	34.497%
Common	AyalaLand Malls, Inc. <sup>5</sup>	AyalaLand Malls, Inc. <sup>6</sup>	Filipino	287,186,771	8.947%
Common	Buendia Christiana Holdings Corp. <sup>7</sup>	Buendia Christiana Holdings Corp. <sup>8</sup>	Filipino	199,109,438	6.203%

**(ii) Security ownership of directors and management (Executive Officers) as of March 21, 2025:**

TITLE OF CLASS OF	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF	CITIZENSHIP	PERCENT OF TOTAL
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<sup>1</sup> ALI is the principal stockholder of the Company.

<sup>2</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>3</sup> PCD is not related to the Company.

<sup>4</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. Out of the 1,111,551,906 common shares registered in the name of PCD Nominee Corporation (Filipino), 222,634,800 or 6.93% of the outstanding capital stock is for the account of the Government Service Insurance System (GSIS). GSIS has not coordinated with the Company for the submission of SEC Form 18-A for beneficially owning more than 5% of the Company's common shares.

<sup>5</sup> AyalaLand Malls, Inc. is an affiliate of the Company for having ALI as their common stockholder owning at least 10% of their outstanding capital stock.

<sup>6</sup> The Board of AyalaLand Malls, Inc. has the power to decide how the shares are to be voted.

<sup>7</sup> Buendia Christiana Holdings Corporation is a related party of the Company.

<sup>8</sup> The Board of Buendia Christiana Holdings Corporation has the power to decide how the shares are to be voted.

OUTSTANDING SHARES		BENEFICIAL OWNERSHIP			OUTSTANDING SHARES
Directors					
Common	Anna Ma. Margarita B. Dy	1	(direct)	Filipino	0.000%
Common	Jose Eduardo A. Quimpo II	1	(direct)	Filipino	0.000%
Common	Mariana Beatriz E. Zobel de Ayala	1	(direct)	Filipino	0.000%
Common	Augusto D. Bengzon	1	(direct)	Filipino	0.000%
Common	Sherisa P. Nuesa	242,900	(indirect)	Filipino	0.008%
Common	Omar T. Cruz	962,901	(direct & indirect)		0.030%
Common	Enrico S. Cruz	2,600,001	(direct & indirect)	Filipino	0.081%
Common	Maria Theresa D. Marcial	1	(direct)	Filipino	0.000%
CEO and most highly compensated officers					
Common	Jose Eduardo A. Quimpo II	1	(direct)	Filipino	0.000%
Common	Ma. Teresa R. Famy	22,000	(indirect)	Filipino	0.001%
Common	Rowena O. Libunao	0		Filipino	0.000%
Common	Maphilindo S. Tandoc	0		Filipino	0.000%
Other Officers					
Common	Maria Franchette M. Acosta	0		Filipino	0.000%
Common	Ma. Florence Therese dG. Martinez-Cruz	1,700	(indirect)	Filipino	0.000%
Common	Roscoe M. Pineda	0		Filipino	0.000%
All Directors and Officers as a group		3,829,507			0.119%

No director or member of the Company's management owns 2% or more of the outstanding capital stock of the Company.

**(iii) Voting trust holders of 5% or more**

The Company knows of no person 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 owned shares as of March 21, 2025:**

TYPE OF SHARES	TOTAL OUTSTANDING SHARES	SHARES OWNED BY FOREIGNERS	PERCENT OF OWNERSHIP
Common	3,209,865,985	124,191,054	3.869%

**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 attendance of the directors at the meetings of the Board of Directors (Board) held in 2024 is as follows:

DIRECTORS	NO. OF MEETINGS ATTENDED/HELD <sup>9</sup>	PERCENT PRESENT
Anna Ma. Margarita B. Dy	6/7	86%
Bernard Vincent O. Dy <sup>10</sup>	2/2	100%

<sup>9</sup> In 2024 and during the incumbency of the director.

<sup>10</sup> Served as a director until April 23, 2024.



Carol T. Mills <sup>11</sup>	5/5	100%
Jose Eduardo A. Quimpo II <sup>11</sup>	2/2	100%
Mariana Beatriz E. Zobel de Ayala	7/7	100%
Maria Theresa D. Marcial <sup>12</sup>	5/5	100%
Augusto D. Bengzon	6/7	86%
Sherisa P. Nuesa	7/7	100%
Omar T. Cruz	7/7	100%
Enrico S. Cruz	7/7	100%

All the directors were also present during the annual stockholders' meeting on April 23, 2024. The non-executive directors held separate meetings on May 14, 2024 and November 13, 2024, wherein all the incumbent non-executive directors were present with the exception Ms. Zobel de Ayala who was absent on May 14, 2024.

The Board has established committees to assist in exercising its authority in monitoring the performance of the business of the Company. The committees, as mentioned below, provide organized and focused means for the Board to achieve specific goals and address issues, including those related to corporate governance.

BOARD COMMITTEES	MEMBERS*	NO. OF MEETINGS ATTENDED/ HELD **	PERCENT PRESENT
Executive Committee	Augusto D. Bengzon, Chairman	N/A	N/A
	Jose Eduardo A. Quimpo II, Member	N/A	N/A
	Omar T. Cruz, Member	N/A	N/A
Corporate Governance and Nomination Committee	Sherisa P. Nuesa, Chairman	3/3	100%
	Omar T. Cruz, Member	3/3	100%
	Enrico S. Cruz, Member	3/3	100%
Audit Committee	Enrico S. Cruz, Chairman	4/4	100%
	Omar T. Cruz, Member	4/4	100%
	Augusto D. Bengzon, Member	4/4	100%
Risk Management and Related Party Transactions Review Committee	Omar T. Cruz, Chairman	2/2	100%
	Enrico S. Cruz, Member	2/2	100%
	Sherisa P. Nuesa, Member	2/2	100%
Sustainability Committee	Sherisa P. Nuesa, Chairman	1/1	100%
	Jose Eduardo A. Quimpo II, Member	1/1	100%
	Maria Theresa D. Marcial, Member	1/1	100%

\*Omar T. Cruz is the Lead Independent Director of the Company. Enrico S. Cruz and Sherisa P. Nuesa are independent directors of the Company

\*\*Represents Board Committee meetings held in 2024 and during the incumbency of the Director

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 is conducted by an independent third-party consultant every three years. On January 13, 2023, the Board approved the engagement of AoN Solutions Singapore Pte. Ltd. (Aon) in compliance with the requirements that the board assessment be facilitated by an external facilitator every three (3) years, upon endorsement of the Corporate Governance and Nominations Committee.

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.

The next independent third-party assessment will be conducted in 2025.

#### (a) Information required of directors and executive officers

<sup>11</sup> Mr. Quimpo was elected on August 14, 2024 to serve the unexpired term of Ms. Mills, who resigned from the Board effective the same date.

<sup>12</sup> Elected on April 23, 2024.



**i. Directors and executive officers**

The following persons have been nominated to the Board for election at the annual stockholders' meeting and have accepted their respective nominations:

NAME	AGE	CITIZENSHIP	DATE OF FIRST NOMINATION TO THE BOARD
Anna Ma. Margarita B. Dy	55	Filipino	April 26, 2023
Jose Eduardo A. Quimpo II	45	Filipino	August 14, 2024
Augusto D. Bengzon	62	Filipino	April 4, 2019
Mariana Beatriz E. Zobel de Ayala	36	Filipino	October 7, 2021
Omar T. Cruz	70	Filipino	April 12, 2019
Enrico S. Cruz	67	Filipino	February 5, 2020
Sherisa P. Nuesa	70	Filipino	April 26, 2023
Maria Theresa D. Marcial	54	Filipino	April 23, 2024

Mses. Anna Ma. Margarita B. Dy, Mariana Beatriz E. Zobel de Ayala and Maria Theresa D. Marcial, Messrs. Jose Eduardo A. Quimpo II, and Augusto D. Bengzon were nominated by Ayala Land, Inc. Messrs. Omar T. Cruz and Enrico S. Cruz, and Ms. Sherisa P. Nuesa were nominated as Independent Directors by a minority shareholder of the Company, Ms. Michelle P M. Sabitsana, who holds 400 common shares, or 0.0000001% of the total outstanding voting shares of the Company, and who is not related to any of the nominated Independent Directors, all in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors). The Corporate Governance and Nomination Committee evaluated the qualifications of all the nominees and approved the final list of nominees by virtue of the authority delegated to it by the Board of Directors during its regular meeting on February 19, 2025, in accordance with the Amended By-Laws, revised Corporate Governance Manual, and the Charter of the Board of Directors of the Company.

Only nominees whose names appear on 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.

None of the directors and officers of the Corporation is connected with any Philippine government agency or in any of its instrumentality. Mr. Augusto D. Bengzon, a Director of the Corporation, is a Trustee of the Philippine National Police (PNP) Foundation, Inc.<sup>13</sup> There is no employer-employee relationship between the PNP and Mr. Bengzon and the latter does not receive any compensation from the PNP.

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

The officers of the Company are elected annually by the Board during its organizational meeting, or such other time whenever a vacancy by reason of death, resignation, disqualification, or any other cause occurs.

**ii. Significant employees**

The Company 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 up to fourth civil degree, either by consanguinity or affinity, among the abovenamed directors and executive officers.

<sup>13</sup> PNP Foundation is a private foundation, and not a government agency or connected to the government in any way.

**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.

The Company is not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

**v. Trainings and Continuing Education Programs for the Directors and Key Officers**

The company recognizes the value of providing relevant trainings to its directors and has set aside an annual budget to allow them to attend continuing professional development programs, applicable courses, conferences, and seminars. In 2024, the directors and key officers of the Company joined online and in-person seminars on Corporate Governance for at least four (4) hours, as follows:

TOPICS	DIRECTORS AND OFFICERS
6 <sup>th</sup> Ayala Integrated Corporate Governance Risk Management and Sustainability Summit  The Board's Agenda: Building Businesses that Enable People to Thrive	Maria Theresa D. Marcial
	Sherisa P. Nuesa
	Mariana Beatriz E. Zobel de Ayala
	Maria Franchette M. Acosta
	Ma. Teresa R. Famy
	Rowena P. Libunao
	Ma. Florence Therese dG. Martinez-Cruz
	Roscoe M. Pineda
Center for Global Best Practices: Corporate Governance Training	Maphilindo S. Tandoc
2024 YGC Annual Corporate Governance Seminar Transforming Boards to Succeed in a World of Disruption	Enrico S. Cruz
Masterclass The Fourth Series: Session 5 – Who is Responsible for Your Corporate Culture	Omar T. Cruz
	Augusto D. Bengzon
	Anna Ma. Margarita B. Dy
Masterclass The Fourth Series: Session 6 – Health Governance: The Value of Strategic Purchasing	Jose Eduardo A. Quimpo II
	Augusto D. Bengzon
	Anna Ma. Margarita B. Dy
	Jose Eduardo A. Quimpo II

The aforementioned seminars were administered by or in partnership with the Institute of Corporate Directors, an SEC-accredited training provider.

**(b) Certain relationships and related transactions**

The Company, in its regular conduct of business, 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 Company. 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 related parties as of December 31, 2024. Additional information on the Company's Related Party Transactions can be found on Note 18 of the Audited Financial Statements.

RELATED PARTY (Receivables from)	NATURE OF TRANSACTION	AMOUNT (in PhP Thousands)	RELATIONSHIP
ALI and Affiliates	Building leases subject to Finance lease	19,673,140,935	Parent Company and Entities under common control



ALI	Regular leases of spaces and Loans	529,184,080	Parent Company
Affiliates	Regular leases of spaces and Loans	1,932,449,494	Entities under common control
Other related parties	Regular leases of spaces	301,869,331	Associate of Ayala Corporation
RELATED PARTY (Payable to)	NATURE OF TRANSACTION	AMOUNT (in PhP Thousands)	RELATIONSHIP
ALI	Leases of land and spaces, and Advances	588,810,099	Parent Company
Affiliates	Leases of land and spaces, Management Agreements, Advances, Utility Services	1,318,019,607	Entities under common control  The fees received by the AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. do not exceed one percent (1%) of the Net Asset Value of the assets under their respective management. Please refer to the Company's Audited Financial Statements.
Other related parties	Utility Services	72,980,387	Associate of Ayala Corporation

At the regular board meeting of the Company on February 19, 2025, 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, and its subsidiaries, Accendo Commercial Corp. (Accendo),<sup>14</sup> Cagayan de Oro Gateway Corp. (CDOGC),<sup>15</sup> and Central Bloc Hotel Ventures, Inc. (CBHVI)<sup>16</sup> (Accendo, CDOGC, and CBHVI are hereinafter referred to as "Subsidiaries") to an aggregate of 505,890,177 primary common shares of AREIT in exchange for eight (8) commercial buildings located in Davao, Cebu, and Cagayan de Oro, with an aggregate value of Twenty Billion Nine Hundred Ninety-Four Million Four Hundred Forty-Three Thousand Three Hundred Forty-Five and 50/100 Pesos (₱20,994,443,345.50) under a property-for-share swap transaction at an issue price of ₱41.50 per share (Transaction Price), set at a ~2% premium over the thirty (30)-day volume weighted average price (30-day VWAP) or the Market Price of ₱40.68, as validated by a third-party fairness opinion issued by FTI Consulting Philippines, Inc. (FTI Consulting). In accordance with the Philippine Stock Exchange (PSE) Consolidated Listing and Disclosure Rules, Article V, Part A, Section 3, 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 transaction 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 March 21, 2025, ALI is the principal shareholder and Sponsor of AREIT owning 41.11% of the outstanding voting shares of the Company.

<sup>14</sup> 67% owned by ALI.

<sup>15</sup> 70% owned by ALI.

<sup>16</sup> 100% owned by ALI.

ALI subsidiaries, AyalaLand Malls, Inc., Greenhaven Property Ventures, Inc., Northbeacon Commercial Corporation, and Cebu Insular Hotel Co., Inc., respectively own 8.95%, 2.41%, 1.73% and 1.19% of the total outstanding voting shares of the Company, while the Company's related party, Buendia Christiana Holdings Corp., owns 6.20% of the total outstanding voting shares of the Company, all as of March 21, 2025.

**(d) Resignation of directors**

To date, no director has resigned from, or has declined to stand for re-election to the Board since the date of the annual meeting of stockholders in 2024 due to any disagreement with the Company relative to its operations, policies and practices.

**Item 6. Compensation of directors and executive**

**(a) Executive compensation**

NAME AND PRINCIPAL POSITION	YEAR	SALARY	OTHER ANNUAL COMPENSATION
		(IN MILLIONS)	
Jose Eduardo A. Quimpo II (President/CEO)			
Ma. Teresa R. Famy (Treasurer/Chief Finance Officer)			
Rowena P. Libunao (Chief Audit Executive)			
Maphilindo S. Tandoc (Chief Risk Officer)			
CEO and most highly compensated Executive Officers	2023 Actual 2024 Actual 2025 (projected)	₱11.55M ₱14.19M ₱18.16M	₱4.48M* ₱3.53M ₱8.22M
All other officers** and directors as a group unnamed	2023 Actual 2024 Actual 2025 (projected)	₱3.94M ₱1.77M ₱0.28M	₱1.37M ₱0.59M ₱0.13M

\* 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 the highly compensated executives amounted to ₱16.03 million in 2023, and ₱17.72 million in 2024. The projected total annual compensation of the President and top five highly compensated executives for 2025 is projected at ₱26.38 million.

The total annual compensation of all directors and senior personnel was 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**

The independent directors to receive the following per diems per meeting attended (as approved by the stockholders on April 4, 2019:

Board meeting fee	Php40,000.00
Committee meeting fee	Php20,000.00

There are no standard arrangements pursuant to which directors of the Company are compensated, directly or indirectly, for any services provided as director.

The Board of Directors resolved to recommend to the stockholders, for their approval at their annual meeting on April 24, 2025, an increase in the compensation of independent or non-executive directors, which increase in compensation is as follows:

	FROM	TO
Board meeting fee	Php40,000.00	Php60,000.00
Committee meeting fee	Php20,000.00	Php30,000.00

In accordance with the requirement of Sections 29 and 49 of the Revised Corporation Code relating to an annual report of the total compensation of each director, below is a table showing the gross compensation received by the non-executive and independent directors in 2024. Executive Directors do not receive compensation as directors.

NON-EXECUTIVE / INDEPENDENT DIRECTOR	BOARD MEETINGS	COMMITTEE MEETINGS	TOTAL
Omar T. Cruz	₱280,000.00	₱200,000.00	₱480,000.00
Enrico S. Cruz	280,000.00	200,000.00	480,000.00
Sherisa P. Nuesa	280,000.00	120,000.00	400,000.00
Maria Theresa D. Marcial	240,000.00	20,000.00	260,000.00
<b>Total</b>	<b>₱1,080,000.00</b>	<b>₱540,000.00</b>	<b>₱1,620,000.00</b>

**ii. Other arrangements**

Aside from the compensation received as herein stated, the Company has no other arrangement with regard to the remuneration of its existing non-executive and independent directors for services provided as a director.

The Company’s Corporate Governance and Nominations Committee is chaired by Ms. Sherisa P. Nuesa, with Enrico S. Cruz and Omar T. Cruz as members. The Chairman and members are all independent directors.

**(c) Employment contracts and termination of employment and change-in-control arrangements**

The above-named executive officers are regular employees of ALI and are covered by engagement/employment contracts with ALI stating their respective job functions, among others. They are seconded to the Company and such secondment is covered by letters of appointment stating their respective job functionalities within the Company.

**(d) Warrants and options outstanding**

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 is the accounting firm of Isla Lipana & Co. (PWC) (Isla Lipana). The Board, upon the recommendation of the Company's Audit Committee (with Mr. Enrico S. Cruz as Chairman and Messrs. Omar T. Cruz and August D. Bengzon as members), approved the election of Isla Lipana as the Company's external auditor for 2025 based on its performance and qualifications, and fixed its remuneration amounting to Eight Hundred Eighty-Two Thousand Pesos (P882,000.00), net of value-added tax and out-of-pocket expenses, with inflationary allowance of up to 5%.

The election of Isla Lipana, and the fixing of its remuneration will be presented to the stockholders for their approval at the Annual Stockholders' Meeting.

- (b) Representatives of Isla Lipana are expected to be present 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 questions related to the completed fiscal year review.

Pursuant to the General Requirements of Revised SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Isla Lipana as external auditor, with Mr. Zaldy D. Aguirre as the Partner-in-Charge since audit year 2024.

- (c) Changes in and disagreements with accountants on accounting and financial disclosure

The Company has engaged the services of Isla Lipana during the two most recent fiscal years. There were no disagreements with Isla Lipana on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

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

The Company paid or accrued the following fees, including VAT, to its external auditor in the past two years:

YEAR	AUDIT FEES	AUDIT-RELATED FEES	TAX FEES	NON-AUDIT FEES
2024	P840,000	P35,000	P 0	P 0
2023	P 800,000	P 0	P 0	P 1,250,000

Isla Lipana was engaged by the Company for the annual and midyear review of financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2024 and 2023. The audit-related fees include assurance and services that are related to the performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

- (e) **Tax fees**

In 2024, no tax services were rendered by Isla Lipana.

- (f) **All other fees (Non-Audit Fees) (for updating)**

For 2023, the Company engaged Isla Lipana for tax consulting services and professional assistance in connection with the application for Certificates Authorizing Registration (eCAR) for the infusion of assets implemented in 2023.

The Audit Committee reviewed the nature of non-audit services rendered by Isla Lipana and the corresponding fees and concluded that these are not in conflict with the audit functions of the external auditors.

The Audit Committee has an existing policy to review and to approve the audit and non-audit services rendered by the Company's external auditor, as provided under paragraph 3.4 (b) of the AREIT Audit Committee Charter. It does not allow the Company to engage the external auditor for certain non-audit services expressly prohibited by regulations of the SEC to be performed by an external auditor for its audit clients. This is to ensure that the external auditor maintains the highest level of independence from the Company, both in fact and appearance. The approval of audit-related and non-audit services of the external auditor is delegated to management, subject to the Company's Policy on Non-Audit Services.



## Item 8. Compensation Plans

No matter or action relating 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

To be presented for the approval of the stockholders is the issuance of 505,890,177 primary common shares (the “Shares”) to ALI, and its subsidiaries, Accendo,<sup>17</sup> CDOGC,<sup>18</sup> and CBHVI<sup>19</sup> (“Subsidiaries”), in exchange for eight (8) commercial buildings located in Davao, Cebu, and Cagayan de Oro, with an aggregate value of ₱20,994,442,345.50 (the “Properties”), independently evaluated and recommended to the Company by AREIT Fund Managers, Inc. (“AFMI”) under a property-for-share swap with an issue price of ₱41.50 per share (“Transaction Price”), set at a ~2% premium over the thirty (30)-day volume weighted average price (“30-day VWAP”) or the Market Price<sup>20</sup> of ₱40.68, and as validated by a fairness opinion issued by FTI Consulting Philippines, Inc. (“FTI Consulting”), attached hereto as Annex “D.” 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 “E”.

The Company will ensure that ALI will sell some of its AREIT shareholdings before the approval of the Securities and Exchange Commission of the Transaction to ensure compliance with the minimum public ownership requirements imposed upon the Company. The relevant disclosures on the sale of shareholdings will be made in due course once its terms are finalized.

#### (b) Description of the Registrant’s Securities

The Company’s current authorized capital stock is Forty Billion Five Hundred Million Pesos (₱40,500,000,000) divided into Four Billion Fifty Million (4,050,000,000) common shares, with a par value of Ten Pesos (₱10.00) per share. As of February 28, 2025, 3,277,195,955 shares of the Company are issued, with 3,209,865,985 outstanding and 67,329,970 held in treasury. 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 classes 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

The Company, ALI, and the Subsidiaries will execute a property-for-share swap transaction whereby the Company will issue the Shares to ALI and the Subsidiaries (as illustrated in Table 2 below) in exchange for the following identified properties valued at ₱20,994,442,345.50 (the “Transaction”), at the Transaction Price of ₱41.50 per share, set at a premium over the 30-day VWAP of ₱40.68 or the Market Price.

**Table 1 – Properties Subject of Property-For-Share Swap**

PROPERTY	REGISTERED OWNER	FAIR MARKET VALUE (IN PHP)	TRANSACTION VALUE (IN PHP)
Central Bloc Office 1	ALI	2,244,363,000.00	2,262,316,163.00
Central Bloc Office 2	ALI	2,704,603,000.00	2,662,465,043.20
Ayala Malls Central Bloc	ALI	4,427,110,000.00	4,403,787,429.00
Seda Central Bloc	CBHVI*	1,473,761,000.00	1,466,879,162.30

<sup>17</sup> 67% owned by ALI.

<sup>18</sup> 70% owned by ALI.

<sup>19</sup> 100% owned by ALI.

<sup>20</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 3, paragraph (a)). Transaction date refers to the approval of the Board of Directors when issue price was set, or the meeting of the Board of Directors on 07 March 2023.



Abreeza Mall	Accendo*	3,941,734,000.00	3,933,967,272.00
Abreeza BPO	Accendo*	728,424,000.00	731,632,200.40
Centrio Mall	CDOGC*	4,936,323,000.00	4,927,074,187.00
Centrio BPO	CDOGC*	563,035,000.00	606,320,888.60
<b>Total</b>		<b>₱21,019,353,000.00</b>	<b>₱20,994,442,345.50</b>
*CBHVI, Accendo and CDOGC are subsidiaries of ALI. CBHVI is a wholly-owned subsidiary of ALI. Accendo and CDOGC are joint venture entities with ALI owning 67% and 70%, respectively. (collectively, the “Properties”)			

**Table 2 – Breakdown of Shares to be Issued to ALI, CBHVI, Accendo, and CDOGC**

STOCKHOLDER	NUMBER OF SHARES
ALI	224,784,786
CBHVI	35,346,486
Accendo	112,424,084
CDOGC	133,334,821
<b>TOTAL</b>	<b>505,890,177</b>

The Properties will be used by ALI and the Subsidiaries as payment for the Shares. The Transaction will be implemented as a tax-free exchange and is supported by a fairness opinion on the valuation of the Shares and of the Properties prepared and issued by FTI Consulting, an independent fairness opinion provider accredited by both the SEC and the Philippine Stock Exchange (“PSE”). The Properties have been evaluated by AFMI and have been appraised by Cuervo.

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

**Table 3 – FTI Consulting Range of Fair Values for the Properties**

PROPERTY	LOW ESTIMATE	HIGH ESTIMATE
Central Bloc Office 1	₱1,881,000,000.00	₱2,452,000,000.00
Central Bloc Office 2	2,655,000,000.00	3,418,000,000.00
Abreeza BPO	629,000,000.00	805,000,000.00
Centrio BPO	534,000,000.00	695,000,000.00
Central Bloc Mall	3,915,000,000.00	4,484,000,000.00
Abreeza Mall	3,486,000,000.00	3,992,000,000.00
Centrio Mall	4,366,000,000.00	5,000,000,000.00
Seda Central Bloc	1,286,000,000.00	1,474,000,000.00
<b>Total Range of Market Values</b>	<b>₱18,753,000,000.00</b>	<b>₱22,320,000,000.00</b>

**Table 4 – FTI Consulting Range of Fair Values for AREIT, Inc. Shares**  
(in PHP millions except for the per share values)

METHOD	EQUITY VALUE		VALUE PER SHARE <sup>1</sup>	
	LOW ESTIMATE	HIGH ESTIMATE	LOW ESTIMATE	HIGH ESTIMATE
Discounted Cash Flows Method	121,004	142,435	37.70	44.37
<i>Cross Checks:</i>				
Volume Weighted Average Price Method	108,580	118,559	33.83	36.94
Comparable Public Companies Method				
EV-to-NTM EBITDA	111,669	142,077	34.79	44.26
Price-to-NTM EPS	109,546	116,824	34.13	36.40
<b>Range of Market Values</b>	<b>₱121,004</b>	<b>₱142,435</b>	<b>₱37.70</b>	<b>₱44.7</b>
<sup>1</sup> Total number of shares equal 3,209.87 million based on outstanding shares as of Valuation Date. Source: FTI Consulting Analysis * NTM = next twelve months				

The matter was approved by the Risk Management and Related Party Transactions Review Committee of the Company (composed of Omar T. Cruz, as Chairman, Enrico S. Cruz, and Sherisa P. Nuesa, all

independent directors as members) and ratified by the Board of Directors of the Company by unanimous vote on February 19, 2025.

The Company will apply for the listing of new shares issued to ALI and the Subsidiaries 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 <https://areit.com.ph> and at [https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=00afd90081ea57b2ec6e1601ccee8f59](https://edge.pse.com.ph/openDiscViewer.do?edge_no=00afd90081ea57b2ec6e1601ccee8f59).

The Company will pay the following appropriate 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	59,589,640.02
	• Legal Research Fee	595,896.40
	b. BIR	
	• DST on Original Issuance of Shares	84,125,941.20
(2)	Listing of Shares (PSE)	
	• Processing Fee	50,000.00
	• Additional Listing Fee for Shares-for-Property Swap	29,794,820.01
(3)	Property Transfer (Local Government Units)	
	• Local Transfer Tax	166,928,943.85
	• Registration Fees	74,487,050.02

**(d) If the securities are to be issued other than in a public offering for cash, state reasons for the proposed authorization or issuance and the general effect upon the rights of existing stockholders**

As the first Philippine Real Estate Investment Trust ("REIT") successfully listed and true to its commitment to diversify and expand its portfolio through constant, accretive asset infusions, AREIT aspires to further grow its leasing portfolio with prime and stable assets. Since its IPO, AREIT has delivered on its growth plan, resulting in a 49% total shareholder return from dividend yield and price appreciation, based on the closing price of ₱37.95 on 27 December 2024.

AREIT started with 153 thousand square meters equivalent to ₱30 billion of Assets Under Management ("AUM") in 2020. By December 2021, this has grown to 549 thousand square meters, equivalent to ₱53 billion in AUM. At the close of 2022, AREIT expanded to 673 thousand square meters, equivalent to ₱64 billion in AUM. In September 2023, AREIT further grew its portfolio to 861 thousand square meters and ₱87 billion in AUM, nearly tripling its size since AREIT went public, exceeding its target to double in size within two years from its IPO. By end 2024, AREIT's portfolio stands at 1.03 million square meters of building gross leasable area and 286 hectares of industrial land, with an AUM of ₱117.3 billion. With this asset infusion, AREIT will further grow its building portfolio to over 1.39 million square meters in gross leasable area and 286 hectares of industrial land totaling ₱138.3 billion in AUM. The new asset infusion of prime commercial buildings will expand, balance, and diversify AREIT's portfolio to capture growth opportunities across various types of real estate and key cities and growth centers in the country.

The Properties are expected to contribute further to AREIT's operating cashflows, boosting dividends per share. At an average capitalization rate of 6.53%, 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% for the office assets, and 2.5% for mall and hotel assets. AREIT's 2024 yield is approximately 5.6% from its existing assets based on the 30-day VWAP of ₱40.68. Hence, the asset-for-share swap will be accretive after the new assets are infused.

**(e) 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 under a 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.

The Properties are valued at ₱20,994,442,345.50 within the range of values provided in the Fairness Opinion by FTI Consulting and the Appraisal Reports issued by Cuervo.

FTI Consulting used the Discounted Cashflows (“DCF”) Approach as the primary method to estimate the fair value of the Shares and Properties. Under the DCF approach, FTI Consulting discounted the cashflows of AREIT and the Properties based on a weighted average cost of capital (“WACC”) using the Capital Asset Pricing Model for the office asset and Built-up Method for the mall and hotel assets. The Comparable Public Companies Method and Volume Weighted Average Price 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.

**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, 2024, 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 Revised SRC Rule 68 will be included in the Annual Report (Form 17-A).

**Item 12. Mergers, consolidations, acquisitions and similar matters**

There is no proposed merger, consolidation, 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 properties owned by ALI and the Subsidiaries valued at Twenty Billion Nine Hundred Ninety-Four Million Four Hundred Forty-Two Thousand Three Hundred Forty-Five and 50/100 Pesos (₱20,994,442,345.50) in exchange for the issuance of 505,890,177 primary common shares to ALI and the Subsidiaries, via a property-for-share swap, will be presented to the stockholders for approval. AFMI has recommended the acquisition of the Properties after independent valuation 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 will execute a property-for-share swap transaction whereby the Company will issue the Shares to ALI and the Subsidiaries (as illustrated in Table 2 above) in exchange for the following identified properties valued at ₱20,994,442,345.50 (the “Transaction”), at an issue price of ₱41.50 per share (“Transaction Price”).

**Table 1 – Properties Subject of Property-For-Share Swap**

PROPERTY	REGISTERED OWNER	FAIR MARKET VALUE (IN PHP)	TRANSACTION VALUE (IN PHP)
Central Bloc Office 1	ALI	2,244,363,000.00	2,262,316,163.00
Central Bloc Office 2	ALI	2,704,603,000.00	2,662,465,043.20
Ayala Malls Central Bloc	ALI	4,427,110,000.00	4,403,787,429.00
Seda Central Bloc	CBHVI*	1,473,761,000.00	1,466,879,162.30
Abreeza Mall	Accendo*	3,941,734,000.00	3,933,967,272.00



Abreeza BPO	Accendo*	728,424,000.00	731,632,200.40
Centrio Mall	CDOGC*	4,936,323,000.00	4,927,074,187.00
Centrio BPO	CDOGC*	563,035,000.00	606,320,888.60
<b>Total</b>		<b>₱21,019,353,000.00</b>	<b>₱20,994,442,345.50</b>
*CBHVI, Accendo and CDOGC are subsidiaries of ALI. CBHVI is a wholly-owned subsidiary of ALI. Accendo and CDOGC are joint venture entities with ALI owning 67% and 70%, respectively. (collectively, the “ <b>Properties</b> ”)			

An overview of the Properties is as follows:

	CEBU				DAVAO		CAGAYAN DE ORO	
	CENTRAL BLOC OFFICE 1	CENTRAL BLOC OFFICE 2	CENTRAL BLOC MALL	SEDA CENTRAL BLOC	ABREEZA MALL	ABREEZA BPO	CENTRIO MALL	CENTRIO BPO
<b>Year Completed</b>	2019	2020	2019	2020	2011	2013	2012	2016
<b>Description</b>	Headquarter Office	Headquarter Office	Lifestyle Shopping Center	Contemporary Business Hotel	Lifestyle Shopping Center	BPO Office	Lifestyle Shopping Center	BPO Office
<b>Project Owner</b>	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Accendo Commercial Corporation	Accendo Commercial Corporation	Cagayan de Oro Gateway Corporation	Cagayan de Oro Gateway Corporation
<b>GLA (sq. m)</b>	28,483	38,633	70,956	13,997	97,571	9,214	92,707	9,053
<b>2025 Occupancy</b>	95%	97%	100%	100%	100%	98%	100%	100%
<b>Right over Land</b>	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold
<b>Landowner</b>	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Accendo Commercial Corporation	Accendo Commercial Corporation	Cagayan de Oro Gateway Corporation	Cagayan de Oro Gateway Corporation
<b>Land Lease Term</b>	40 years	40 years	40 years	40 years	40 years	40 years	40 years	40 years
<b>Master Lease Escalation</b>	N/A	N/A	2.5% per annum	2.5% per annum	2.5% per annum	N/A	2.5% per annum	N/A

**Table 2 – Breakdown of Shares to be Issued to ALI, CBHVI, Accendo, and CDOGC**

<b>Stockholder</b>	<b>Number of Shares</b>
ALI	224,784,786
CBHVI	35,346,486
Accendo	112,424,084
CDOGC	133,334,821
<b>TOTAL</b>	<b>505,890,177</b>

The Properties will be used by ALI and the Subsidiaries as payment for the Shares. The Transaction will be implemented as a tax-free exchange and is supported by a fairness opinion on the valuation of the Shares and of the Properties prepared and issued by FTI Consulting, an independent fairness opinion provider accredited by both the SEC and the PSE. The Properties have been evaluated by AFMI and have been appraised by Cuervo.

The infusion of the Properties into AREIT is in line with the objective of AREIT and its Sponsor, ALI, to grow the asset base of AREIT through the infusion of several high-quality assets to maximize value accretion for AREIT's shareholders.

The Transaction is subject to the approval of AREIT stockholders at the Company’s annual meeting to be held on April 24, 2025.

AREIT will apply for the additional listing of the Shares resulting from the Transaction. The final Transaction Price is set at a ~2% premium over the 30-day VWAP of ₱40.68 or the Market Price. In accordance with the PSE Rules Article V, Part A, Section 3, 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 PSE Rules, thus:

#### “ARTICLE V ADDITIONAL LISTING OF SECURITIES

PART A  
GENERAL

\*\*\*

SECTION 3. Exceptions to the Rights or Public Offering Requirement – 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;

\*\*\*”

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:

“Section 40. Determination of Amount and Recognition of Gain or Loss –

(C) Exchange of Property – \* \* \*

(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: \*\*\*

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. \*\*\*”

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 transferor already has control of the corporation at the time of the exchange.

Further, the case of *Commissioner of Internal Revenue vs. Lucio L. Co, et al.* (G.R. No. 241424, 26 February 2020) reiterated that Section 40(C)(2) applies even in cases where the transferors collectively gain or maintains control of the transferor, as such the Supreme Court “clarified that it is not necessary that, after the exchange, each of the transferors individually gains control of the transferee corporation.” The Court explained that the application of Section 40(C)(2) “does not prohibit instances where the transferor gains further control of the transferee corporation” and that “the element of control is satisfied even if one of the transferors is already owning at least 51% of the shares of the transferee corporation, as long as after the exchange, the transferors, not more than five, collectively increase their equity in the transferee corporation by 51% or more.”

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 April 2025, and the issuance of the Certificates Authorizing Registration (“eCAR”) with the relevant office of the Bureau of Internal Revenue (“BIR”) within the third quarter of 2025. The SEC’s approval of the Transaction is expected to be issued within the third quarter of 2025, and the BIR’s eCAR issuance is expected to be issued within the first quarter of 2026. The Company shall likewise apply for the additional listing of shares with the Exchange by the first quarter of 2026. The indicative timetable for implementation of the Transaction is as follows:

**Table 5 – Indicative Timetable for Implementation**



MILESTONE	INDICATIVE TIMETABLE
Annual Stockholders' Meeting	April 2025
Deed of Exchange Execution	April 2025
SEC Approval (Issuance of Shares and Transaction)	Q3 2025
Issuance of CAR	Q1 2026
PSE Listing of Additional Shares	Q1 2026

#### *Nature and amount of consideration*

The Properties were valued by the Company at ₱20,994,442,345.50 and the Transaction Price of ₱41.50 per share set at a premium over the 30-day VWAP or Market Price of ₱40.68. 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 Company will issue the Shares to ALI and the Subsidiaries at an issue price of ₱41.50 per share, set at a premium over the 30-day VWAP or the Market Price of ₱40.68 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 and the Subsidiaries, as the subscribers. The issue price of ₱41.50 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 eCAR 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 original issuance of shares to ALI and the Subsidiaries, the Transaction will close upon the listing of the shares with the PSE.

#### *Valuation*

FTI Consulting used the Discounted Cashflows ("DCF") Approach as the primary method to estimate the fair value of the Shares and Properties. Under the DCF approach, FTI Consulting discounted the cashflows of AREIT and the Properties based on a weighted average cost of capital ("WACC") using the Capital Asset Pricing Model. The Comparable Public Companies Method and Volume Weighted Average Price 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*

**Table 6 – Identity of Beneficial Owners of the Shares Subscribed**

Beneficial Owners/ Subscribers	Nature of Business	Nature of any material relationship with the Issuer and the parties to the transaction, their directors/officers or any of their affiliates
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 complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses.	ALI is the Sponsor of AREIT and, as of date hereof, directly and indirectly owns 55.52% of AREIT shares, as follows:  ALI – direct ownership of 1,319,597,394 shares equivalent to 41.11%  AyalaLand Malls, Inc. (ALMI) – direct ownership of 287,186,771 shares equivalent to 8.95% (ALMI is 100% owned by ALI)  Northbeacon Commercial Corporation (NBCC) – direct

		<p>ownership of 55,382,567 shares equivalent to 1.73% (WCVV is 100% owned by ALI)</p> <p>Greenhaven Property Ventures, Inc. (Greenhaven), a wholly-owned subsidiary of Ayala Hotels and Resorts Corporation (AHRC), a wholly-owned subsidiary of ALI – direct ownership of 77,505,974 shares equivalent to 2.41%</p> <p>Cebu Insular Hotel Co., Inc. (Cebu Insular), a subsidiary of ALI and AHRC – direct ownership of 38,326,934 shares equivalent to 1.19%</p>
Central Bloc Hotel Ventures, Inc.	CBHVI is organized primarily to engage in the business of a hotel, apartment hotel, serviced residence, inn, resort, restaurant, café, bar, entertainment, and other allied businesses. It is the owner and operator of Seda Central Block Cebu.	CBHVI is a wholly owned subsidiary of ALI.
Accendo Commercial Corp.	Accendo is a joint venture among ALI, Damosa Land, Inc., Anflo Management and Investment Corporation, and Pioneer Trading & Supply Co., Inc., organized primarily to engage in the business of a mall, office, hotel, residential buildings, and other allied businesses. It is the owner and operator of Abreeza Mall and BPO.	Accendo is 67% owned by ALI, 19% owned by Damosa Land, Inc., 11% owned by Anflo Management and Investment Corporation, and 3% owned by Pioneer Trading & Supply Co., Inc.
Cagayan de Oro Gateway Corp.	CDOGC is a joint venture among ALI, Mindanao Motors Corporation, and Anflo Management and Investment Corporation organized primarily to engage in the business of a real estate, owning and operating mall, office, hotel, residential buildings, and other allied businesses. It is the owner and operator of AyalaMalls Centrio and Centrio BPO.	This is 70% owned by ALI, 24% owned by Mindanao Motors Corporation, and 6% owned by Anflo Management and Investment Corporation.

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

**Table 7 – Ownership Structure of the Company Before and After the Transaction**

STOCKHOLDER	CURRENT (BEFORE PROPERTY FOR SHARE SWAP)		INDICATIVE POST-TRANSACTION (AFTER THE PROPERTY FOR SHARE SWAP)	
	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
ALI	1,319,597,394	41.11%	1,544,382,180	41.56%
ALMI	287,186,771	8.95%	287,186,771	7.73%
NBCC	55,382,567	1.73%	55,382,567	1.49%
Greenhaven	77,505,974	2.41%	77,505,974	2.09%
Cebu Insular	38,326,934	1.19%	38,326,934	1.03%
BCHC	199,109,438	6.20%	199,109,438	5.36%
CBHVI	0	0.00%	35,346,486	0.95%
Accendo	0	0.00%	112,424,084	3.03%
CDOGC	0	0.00%	133,334,821	3.59%



Directors and Officers	3,854,507	0.12%	3,854,507	0.11%
Non-ALI/Public	1,228,902,400	38.29%	1,228,742,400	33.07%
<b>TOTAL</b>	<b>3,209,865,985</b>	<b>100.00%</b>	<b>3,715,756,162</b>	<b>100.00%</b>

The Company shall ensure that ALI sells some of its AREIT shareholdings prior to the approval by the SEC of the Transaction 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 the 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 25 of the Company's audited financial statements on the Summary of Material Accounting policies.

**D. OTHER MATTERS**

**Item 15. Action with respect to reports**

- (a) Approval of the minutes of the 2024 annual stockholders' meeting held on April 23, 2024, covering the following matters presented for resolution of the stockholders, which were all duly approved by a majority of the stockholders present and represented in the meeting:
- (i) Approval of the minutes of the 2023 annual and special stockholders' meetings;
  - (ii) Annual report for calendar year 2023 including the consolidated Audited Financial Statements for the calendar year December 31, 2023;
  - (iii) Ratification of the acts of the Board of Directors and Officers during the preceding year;
  - (iv) Election of Directors, including the independent directors; and
  - (v) Appointment of the Isla Lipana as the external auditor of the Corporation for the year 2024 and fixing of its remuneration.

The minutes of the 2024 Annual Stockholders Meeting had been uploaded to the Company's website within five (5) days from the date of the meeting and may be viewed through the following link: <https://www.aret.com.ph/wp-content/uploads/2024/05/AREIT-2024-ASM-Minutes.pdf>

In addition, the minutes contain the following information:

1. A description of the voting and vote tabulation procedures used in the previous 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 1,454,931,775 shares or 61.43% 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	1,454,167,008	61.39%
Voting <i>in absentia</i>	523,149	0.022%
Remote communication	241,618	0.010%
Total	1,454,931,775	61.43%

The votes cast as of close of business of April 22, 2024 were tabulated. Those votes are from stockholders owning 1,454,217,457 voting shares representing 99.92% if the total shares represented in the meeting, and 61.40% of the 2,368,606,573 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 result for matters taken up during the Annual Stockholders' Meeting of the Company last April 23, 2024 is posted in the Company's website at <https://www.aret.com.ph/wp-content/uploads/2024/05/AREIT-2024-ASM-Voting-Results.pdf>

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

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 12, 2024 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 2:00 p.m. of April 23, 2024 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/wp-content/uploads/2024/05/AREIT-2024-ASM-Minutes.pdf>

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

The following matters were discussed and resolutions reached, with the corresponding voting tabulations, during the 2024 Annual Stockholders' Meeting.

- a. Approval of the Minutes of the Previous Annual and Special Stockholders' Meetings

**Resolution No. S-02-24**

**RESOLVED**, to approve the minutes of the annual and special stockholders' meetings held on April 26, 2023 and February 12, 2024, respectively:

	FOR	AGAINST	ABSTAIN
Number of Voted Shares	1,454,689,557	-	600
% of Shares of Stockholders Represented	99.998%	-	0.000%

- b. Approval of the Audited Financial Statements of the Corporation as of December 31, 2023

**Resolution No. S-03-2024**

**RESOLVED**, to approve the audited financial statements of the Corporation as of December 31, 2023, as audited by the Corporation's external auditor, Isla Lipana & Co.

	FOR	AGAINST	ABSTAIN
Number of Voted Shares	1,454,653,457	-	36,700
% of Shares of Stockholders Represented	99.981%	-	0.003%

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

**Resolution No. S-04-2024**

**RESOLVED**, to ratify each and every act and resolution, from April 26, 2023 until April 23, 2024 (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	1,454,653,557	-	36,600

% of Shares of Stockholders Represented	99.981%	-	0.003%
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d. Election of Directors

**Resolution No. S-05-2024**

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

1. Anna Ma. Margarita B. Dy
2. Augusto D. Bengzon
3. Carol T. Mills
4. Mariana Zobel de Ayala
5. Maria Theresa D. Marcial
6. Omar T. Cruz (*Independent Director*)
7. Enrico S. Cruz (*Independent Director*)
8. Sherisa P. Nuesa (*Independent Director*)

DIRECTOR	FOR	AGAINST	ABSTAIN
1. Anna Ma. Margarita B. Dy	1,453,543,597	1,144,460	-
2. Augusto D. Bengzon	1,453,562,557	1,124,300	-
3. Carol T. Mills	1,454,503,557	338,100	-
4. Mariana Zobel de Ayala	1,454,376,057	338,100	-
5. Maria Theresa D. Marcial	1,453,908,697	742,060	-
6. Omar T. Cruz	1,454,298,257	338,100	-
7. Enrico S. Cruz	1,450,798,337	3,852,570	-
8. Sherisa P. Nuesa	1,450,799,137	3,852,570	-

e. Appointment of External Auditor and Fixing of its Remuneration

**Resolution No. S-06-2024**

**RESOLVED**, as endorsed by the Board of Directors, to approve the election of PwC Isla Lipana & Co. as the external auditor of the Corporation for the year 2024 for an audit fee of Eight Hundred Forty Thousand Pesos (Php840,000.00), exclusive of value-added tax and out of pocket expenses.

	FOR	AGAINST	ABSTAIN
Number of Voted Shares	1,454,653,657	-	36,500
% of Shares of Stockholders Represented	99.981%	-	0.003%

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 Stockholders' Meeting of the Corporation last April 23, 2024:

<b>DIRECTORS</b>	
Anna Ma. Margarita B. Dy	<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</i>



	<i>Chairman, Risk Management and Related Party Transactions Review Committee</i> <i>Member, Audit Committee</i> <i>Member, Corporate Governance and Nomination Committee</i>
Enrico S. Cruz	<i>Independent Director</i> <i>Chairman, Audit Committee</i> <i>Member, Risk Management and Related Party Transactions Review Committee</i> <i>Member, Corporate Governance and Nomination Committee</i>
Bernard Vincent O. Dy	
Mariana Beatriz Zobel de Ayala	
<b>OFFICERS</b>	
Ma. Teresa R. Famy	<i>Treasurer and Chief Finance Officer</i>
Maria Franchette M. Acosta	<i>Corporate Secretary</i>
Ma. Florence Therese dG. Martinez-Cruz	<i>Assistant Corporate Secretary and Chief Compliance Officer</i>
Michael Anthony D. Garcia	<i>Investor Relations Head</i>
<b>ALSO PRESENT</b>	
Maria Theresa D. Marcial	<i>Incoming Director</i>

5. Information on the stockholders who participated in the meeting and their voting rights.

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

TOTAL NUMBER OF SHARES PRESENT	TOTAL NUMBER OF OUTSTANDING SHARES	PERCENTAGE OF TOTAL
1,454,931,775	2,368,606,573	61.43%

A description of the Company's performance including business strategy and other affairs as presented in the Annual Report of Officers.

6. All other matters taken up related to good governance and the protection of minority stockholders.

- (b) Approval of the audited financial statements, including noting of annual report of management for the year ending December 31, 2024. The report will cover the performance of the Company in 2024 and the outlook for 2025, as set forth in Annex C, Management Report.

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

There are no other 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**

There are no matters or actions to be taken up in the meeting relating to amendment of the Company's Charter or By-laws that will require the vote of the stockholders as of the record date.

**Item 18. Other proposed actions**

- (a) Election of the members of the Board of Directors, including the independent directors, for the ensuing year.
- (b) Ratification of all acts of the Board of Directors and officers beginning April 23, 2024 until April 24, 2025.

The matters acted upon or approved by the Board of Directors, its Committees, and Management include –

- (i) appointment of the Chairman of the Board and members of the Board Committees;

- (ii) election of directors, lead independent director and officers;
  - (iii) updating of attorneys-in-fact, signatories for banks, and other treasury transactions;
  - (iv) ratification of the actions of the Board Committees;
  - (v) updating of official contact details and authorized filers with the Securities and Exchange Commission;
  - (vi) declaration of cash dividends;
  - (vii) Capital allocation and disbursement of funds for investments and various projects;
  - (viii) Changes in the board, board committees, and officers;
  - (ix) Review of related party transactions;
  - (x) Updating and availment of additional loans and credit facilities;
  - (xi) appointment of external Assurer for the 2024 Integrated Report;
  - (xii) 2025 Budget; and
  - (xiii) revision of the audit committee and internal audit division charters.
- (c) Election of external auditor and fixing of its remuneration.

## **Item 19. Voting procedures**

### **(a) Vote required**

The affirmative vote of at least a majority of the outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of the matters presented to the stockholders for resolution. The election of directors is by plurality of votes.

### **(b) Method of 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 *in absentia*, *electronically* or *by proxy*.

In the case of 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.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this Information Statement, and shall be received by the Corporate Secretary at 37/F, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226 or by email at [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph) on or before April 11, 2025.

A stockholder may vote electronically *in absentia* using the online web address, <https://conveneagm.com/ph/AREIT2025ASM>, subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

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

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

Pursuant to the Company's By-Laws, the Chairman, acting on the authority delegated by the Board of Directors during its meeting on November 13, 2024, approved the conduct of the meeting in a fully virtual format. Stockholders may only attend the meeting by remote communication, as set forth below, and by voting *in absentia*, electronically or by proxy as provided in Item 4(c) and Item 19 above.

The live webcast of the meeting shall be accessible through the following online web address: <https://conveneagm.com/ph/AREIT2025ASM> to shareholders who registered in the Convene AGM (the "Voting System"). Access to the Meeting livestream will be available on the Stockholder's dashboard in the Voting System on the date set for the Meeting as indicated in the Company's Notice of Meeting. To enable the Company to 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 11, 2025, of their participation in the meeting by remote communication.

Stockholders may email questions or comments prior to or during the meeting to 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).

**Item 21. Acceptance of Stockholder Proposals on Agenda Item (for updating)**

Stockholders of record as of March 21, 2025 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 16, 2025.<sup>21</sup>

\* \* \*

**SIGNATURE**

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 March 21, 2025.

**AREIT, INC.**

by:   
**MARIA FRANCHETTE M. ACOSTA**  
Corporate Secretary

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<sup>21</sup> The inclusion of the proposed agenda item shall be in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company's internal guidelines.

## ANNEX “A”

### 2025 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 ConveneAGM (the “Voting System”).

#### **I. ELECTRONIC VOTING IN ABSENTIA**

1. Stockholders as of March 21, 2025 (“Stockholders”) have the option of electronic voting *in absentia* on the matters in the Agenda after complete registration and successful validation in the Voting System. Only votes cast by duly validated stockholders would be included in the preliminary and final tally of votes.
2. Stockholders with e-mail addresses on record shall be sent an e-mail with a link to the Voting System. To register in the Voting System, Stockholders shall simply follow the instructions sent in the e-mail.
3. Otherwise, Stockholders may access the link <https://conveneagm.com/ph/AREIT2025ASM> to create an account and register in the Voting System. Stockholders should complete the online registration form and submit for validation together with the requirements provided in Item 5 below. Once the online registration form has been completed and validated, the digital ballot will be available for the Stockholders to cast their votes.
4. All registered accounts shall be subject to validation requirements set forth in Item 5 below. The deadline for registration to vote *in absentia* is April 11, 2025. Registered stockholders may vote until the end of the meeting. The Voting System will be open for registration on **March 28, 2025**.
5. The following are needed for registration:
  - 5.1 For individual Stockholders –
    - 5.1.1 A scanned-copy of the Stockholder’s valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PNG or PDF format). The file size should be no larger than 12MB;
    - 5.1.2 A valid and active e-mail address;
    - 5.1.3 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 PNG or PDF format). The file size should be no larger than 12MB;
  - 5.3 For Stockholders under Broker accounts –
    - 5.3.1 A broker’s certification on the Stockholder’s number of shareholdings (in JPG or PNG or PDF format). The file size should be no larger than 12MB;
    - 5.3.2 A scanned copy of the Stockholder’s valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PNG or PDF format). The file size should be no larger than 12MB;
    - 5.3.3 A valid and active e-mail address;
    - 5.3.4 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 PNG or PDF format). The file size should be no larger than 12MB;
- 5.4.2 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 PNG or PDF format). The file-size should be no larger than 12MB;
- 5.4.3 A valid and active e-mail address of the Stockholder's representative;
- 5.4.4 A valid and active contact number of the Stockholder's representative.

**Important Note:**

Incomplete or inconsistent information may result in an unsuccessful registration. As a result, Stockholders will not be allowed access to vote electronically *in absentia*, but may still vote by submitting a duly accomplished proxy form, on or before April 11, 2025.

- 6. The validation process in the Voting 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 Voting 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 ballot in the Voting 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 shares of the registered Stockholder.
  - 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.

The votes cast electronically *in absentia* will have equal effect as votes cast by proxy.

Stockholders may still cancel or change their votes until the end of the voting period.

- 8. The Committee of Inspectors of Proxies and Ballots will tabulate all votes cast electronically *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 21, 2025 ("Stockholders") intending to participate by remote communication should notify the Company by email on or before April 11, 2025. Together with the notification, Stockholders should provide validation requirements as follows:
  - 1.1. For individual Stockholders –
    - 1.1.1. A scanned-copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PNG or PDF format). The file size should be no larger than 12MB;
    - 1.1.2. A valid and active contact number;
  - 1.2. For Stockholders under Broker accounts –
    - 1.2.1. A broker's certification on the Stockholder's number of shareholdings (in JPG or PNG or PDF format). The file size should be no larger than 12MB;

- 1.2.2. A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PNG or PDF format). The file size should be no larger than 12MB;
    - 1.2.3. A valid and active contact number;
  - 1.3. For corporate Stockholders –
    - 1.3.1. A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PNG or PDF format). The file size should be no larger than 12MB;
    - 1.3.2. 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 PNG or PDF format). The file-size should be no larger than 12MB;
    - 1.3.3. A valid and active contact number of the Stockholder's representative.
  - 1.4 Duly validated proxies appointing the Chairman of the Meeting as proxy shall be counted for quorum and voting purposes. Proxies other than the Chairman of the Meeting must attend remotely through a link to the meeting livestream to be provided by the Company.
2. After successful validation, Stockholders will receive an email from ConveneAGM with instructions to sign up for the Meeting livestream. Validated Stockholders who attended the meeting remotely shall be included in the determination of quorum at the Meeting, together with the Stockholders who voted *in absentia* and by proxy. Access to the Meeting livestream will be available on the Stockholder's dashboard in the Voting System on the Meeting date as indicated in the Company's Notice of the Meeting.
3. 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).
4. A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting. Stockholders shall have two 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).

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## ANNEX “B”

### DIRECTORS AND KEY OFFICERS

The write-ups below include positions held as of December 31, 2024 and in the past five years and personal data as of December 31, 2024, of directors and executive officers, unless otherwise stated.

#### **Board of Directors**

Anna Ma. Margarita B. Dy	Chairman, Non-Executive Director
Jose Eduardo A. Quimpo II	President & Chief Executive Officer
Augusto D. Bengzon	Non-Executive Director
Mariana Beatriz Zobel de Ayala	Non-Executive Director
Maria Theresa D. Marcial	Non-Executive Director
Omar T. Cruz	Lead Independent Director
Enrico S. Cruz	Independent Director
Sherisa P. Nuesa	Independent Director

**ANNA MARIA MARGARITA B. DY**, Filipino, 55  
Chairman, Non-Executive Director since October 1, 2023

**Committee memberships:**  
None

#### ***Skills and experience:***

Ms. Dy is the President and Chief Executive Officer, and Director of ALI since October 1, 2023. She is a member of the Management Committee of ALI since August 2008. She was an Executive Vice President of ALI from January 1, 2023 to September 30, 2023, and was a Senior Vice President from January 1, 2015 until December 31, 2022. Prior to becoming President of ALI, she was the Head of the Residential Business Group of ALI in 2022 and Head of the Malls Group in 2023. Before that, she also headed the Ayala Land Estates Group. Her other significant positions are: Chairman of Amaia Southern Properties, Inc., Ayalaland Premier, Inc., Ayala Land International Sales, Inc., Avida Land Corp., Alveo Land Corp., Avencosouth Corp., Altaraza Development Corporation, Amaia Land, Inc., Amicassa Process Solutions, Inc., Ayala Property Management Corporation, Ayalaland-Tagle Properties, Inc., BGWest Properties, Inc., BGNorth Properties, Inc., Bellavita Land Corp., Cagayan de Oro Gateway Corp., Vesta Properties Holdings, Inc. Portico Land Corp., and Solinea, Inc.; Vice Chairman of Aurora Properties, Inc., CECI Realty, Inc., and Ayala Greenfield Development Corporation; President of AKL Properties, Inc.; President and Chief Executive Officer of Fort Bonifacio Development Corporation; and Director of Accendo Commercial Corp., ALI Eton Property Development Corporation, Berkshires Holdings, Inc., Bonifacio Land Corporation, Columbus Holdings, Inc., Emerging City Holdings, Inc., Nuevocentro, Inc., Serendra, Inc. and Alveo-Federal Land Communities Inc. She started her career in IBM, Bain and Benpres Holdings and obtained an AB in Economics degree from Ateneo de Manila, a Master of Science in Economics from London School of Economics and a Master in Business Administration from Harvard Business School.

**Directorship in other publicly listed companies:**  
Ayala Land, Inc. and AyalaLand Logistics Holdings Corp.

**JOSE EDUARDO A. QUIMPO II**, Filipino, 45  
President and Chief Executive Officer since August 14, 2024

**Committee memberships:**

- Member of Executive Committee
- Member of Sustainability Committee

#### ***Skills and experience:***

Mr. Quimpo is also a Vice President of ALI. Mr. Quimpo has extensive experience in investment banking, securities brokerage, and wealth management with his over 17 years in banking. Prior to joining ALI, he was a Senior Vice President of BDO Private Bank from October 2023 to March 2024. He was also the President of BDO Securities Corporation and Chief Operating Officer of BDO Capital & Investment Corporation, investment banking subsidiary of BDO Unibank, Inc., from March 2021 to September 2023. He was First Vice President and

Co-Head of Corporate Finance of BDO Capital from 2018 to 2021. Prior to this he had senior roles in corporate finance of BDO Capital from 2014-2018 and prior to that in BPI Capital Corporation, the investment banking subsidiary of BPI, from 2007 to 2014. Mr. Quimpo obtained his Bachelor of Science in Management Engineering at Ateneo de Manila University in 2001.

***Directorship in other publicly listed companies:***

Mr. Quimpo is not a Director in any other publicly listed company.

**MARIA THERESA D. MARCIAL**, Filipino, 54  
Non-Executive Director since April 23, 2024

***Committee memberships:***

- Member of Sustainability Committee

***Skills and experience:***

Ms. Marcial is the President and Chief Executive Officer of BPI Wealth. She has cultivated 26 years of banking experience with expertise in strategic planning and finance, corporate banking, debt and equity capital markets, portfolio management, trust, and retail wealth management. She currently serves as Director of BPI Europe PLC, BPI AIA Life Assurance Corporation, BPI Wealth Hongkong Limited, BPI Wealth Singapore Pte Ltd, and BPI Wealth Builder Multi-Asset Mutual Fund, Inc. She previously served on the BPI Trust Committee and the board of BPI Investment Management Inc. Prior to her banking career, she worked for the National Economic and Development Authority and the Agricultural Policy Credit Council. Ms. Marcial previously served as President of the Fund Managers Association of the Philippines, President of the Trust Officers Association of the Philippines, Vice-Chairman of Capital Markets Development Committee of FINEX, and alternate Governor of the Market Governance Board of the Philippine Dealing and Exchange Corporation. Outside the office, Ms. Marcial dedicates her time to society and the environment. She is a Trustee and Treasurer of World Wide Fund for Nature (WWF) Philippines, Philippine Inter-Island Sailing Foundation (PISF) Inc., and Ocean Racing Club of the Philippines. She was recognized as one of Top 25 Most Influential Women in Asset Management in Asia by Asian Investor and Most Outstanding Alumnus of the University of the Philippines Los Baños. Ms. Marcial obtained her Master's Degree in Economics in 1994 from the University of the Philippines Diliman and BS Economics, cum laude, from the University of the Philippines Los Baños in 1990. She completed the Advanced Management Program at Harvard Business School in 2010 and the CFA Institute Investment Management Workshop also at Harvard Business School in 2006.

***Directorship in other publicly listed companies:***

Ms. Marcial is a Director Alternenergy Holdings Corporation.

**AUGUSTO D. BENGZON**, Filipino, 61  
Non-Executive Director since April 4, 2019

***Committee memberships:***

- Chairman of Executive Committee
- Member of Audit Committee

***Skills and experience:***

Mr. Bengzon currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer and Treasurer. He is a Treasurer of AyalaLand Logistics Holding Corp., another publicly-listed company under the Ayala Land 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.; Chief Finance Officer of Altaraza Development Corporation; Director and Treasurer of Alveo Land Corp., ALI Eton Property Development Corp., Aurora Properties Inc., AyalaLand Premier Inc., AyalaLand-Tagle Properties, Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc. and Vesta Property Holdings Inc.; Director of Alviera Country Club Inc., Amicassa Process Solutions, Inc., Makati Development Corp., Northgate Hotel Ventures, Inc., and Station Square East Commercial Corp.; Comptroller of Nuevocentro, Inc.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc., Amaia Land Corp., Amaia Southern Properties, Inc., Avida Land Corp., 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 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.

***Directorship in other publicly listed companies:***

Mr. Bengzon is not a Director in any other publicly listed company.

***MARIANA BEATRIZ ZOBEL DE AYALA***, Filipino, 36

Non-Executive Director since October 7, 2021

***Committee memberships:***

None

***Skills and experience:***

Ms. Zobel de Ayala is an Executive Director of Ayala Corporation, the oldest conglomerate in Southeast Asia, and concurrently a Senior Vice President of Ayala Land, one of the top three largest listed property developers in Southeast Asia. Ms. Zobel de Ayala currently heads its Leasing and Hospitality Group, overseeing Ayala Malls, Ayala Land Offices, Ayala Land Hospitality, and Ayala Land Leisure Estates. She is also a Board Director of Ayala Land and a member of its Executive, Risk Oversight, and Sustainability Committees. Currently, she serves as the Chairman and President of Ayalaland Malls, Inc. (formerly: ALI Commercial Center, Inc.); Vice Chairman of ALI Eton Property Development Corporation; Chairman of Ayalaland Offices, Inc., Chairman of Ayalaland Hotels and Resorts Corp., and Director of Fort Bonifacio Development Corporation, Alabang Commercial Corporation. She also serves as Chairman of Chirica Resorts Corporation, Ten Knots Development Corporation, Lio Resort Ventures Inc., Pangulasian Island Resort Corp., Ten Knots Phils., Inc., Regent Horizons Conservation Company, Inc., Swift Aerodrome Services, Inc., and ALI Capital Corp.; President & Director of Station Square East Commercial Corporation; and, Director of Cagayan de Oro Gateway Corp., Accendo Commercial Corp., and Cebu District Property Enterprise Inc. Aside from her directorships at the Ayala Land Group, Mariana also serves as a Board Director for several Ayala Group companies, such as Ayala Healthcare Holdings, Inc., A&CO Holdings Corporation, ACX Holdings Corporation, ANKO JV Company, Inc., Ayala Group's ACTIVE Fund, WeAreAyala Business Club, Inc., and BPI's Asset Management and Trust Company. She was named a board advisor for Asia Partners, a Singapore-based growth equity firm with over USD1 bn in assets under management, focused on enabling the next generation of high-growth technology companies in Southeast Asia. She is also a board director of U-Go, a non-profit organization looking to drive education equality in emerging markets by providing scholarship grants to women in pursuit of a university education. Ms. Mariana Zobel de Ayala previously worked for the Bank of the Philippine Islands (BPI) as a Senior Vice President, leading the development of its marketing and digital platforms for its Consumer Bank. Before this position, she served as the Deputy Head of Ayala Malls and previously worked in project development across Ayala Land. She started working at the Ayala Group as a corporate strategy and business development associate at Ayala Corporation, supporting its portfolio reviews across the conglomerate and business development interests in the healthcare industry. Ms. Zobel de Ayala began her career at J.P. Morgan in New York. She obtained her BA in Social Studies (Philosophy, Politics, and Economics) from Harvard College and an MBA from INSEAD.

***Directorship in other publicly listed companies:***

Ayala Land, Inc.

***OMAR T. CRUZ***, Filipino, 70

Lead Independent and Non-Executive Director since June 28, 2019

***Committee memberships:***

- Member of Executive Committee
- Member of Risk Management and Related Party Transactions Review Committee
- Member of Audit Committee
- Member of Corporate Governance and Nomination Committee

***Skills and experience:***

Mr. Cruz is also an 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 previously 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.

***Directorship in other publicly listed companies:***

Mr. Cruz is not a Director in any other publicly listed company.

**ENRICO S. CRUZ**, Filipino, 67

Independent and Non-Executive Director since February 5, 2020

***Committee memberships:***

- Member of Risk Management and Related Party Transactions Review Committee
- Chairman of Audit Committee
- Member of Corporate Governance and Nomination Committee

***Skills and experience:***

Mr. Cruz 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.

***Directorship in other publicly listed companies:***

Security Bank Corporation, Robinsons Retail Holdings, Inc., The Keepers Holdings, Inc. and DITO CME Holdings Inc.

**SHERISA P. NUESA**, Filipino, 70

Independent and Non-Executive Director since April 26, 2023

***Committee memberships:***

- Member of Risk Management and Related Party Transactions Review Committee
- Chairman of Sustainability Committee
- Chairman of Corporate Governance and Nomination Committee

***Skills and experience:***

Ms. Nuesa, is a Director of other publicly listed companies as follows: Independent Director of Integrated Micro-electronics, Inc. and Manila Water Company, Inc. and a non-executive Director of Far Eastern University and Metro Retail Stores Group Inc., where she serves as Chairman of the Board. She also sits in the Board of FEU subsidiary FERN Realty Corporation and concurrently a Senior Adviser to the Board of Vicsal Development Corporation. She is a member of the boards of trustees of the Financial Executives Institute (FINEX) Foundation and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. She is also a Board Adviser to Justice Reform Initiative Inc. (JRI) where she was the former Chairperson

for ten years since its inception. In the recent past, she is a former director of ALI and ACEN CORPORATION from 2020 until April 2023. She also held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee and Fellow of the Institute of Corporate Directors (ICD) from 2012 to 2021. 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, ALI, 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. Ms. Nuesa received a Master of Business Administration degree from the Ateneo-Regis 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. A Certified Public Accountant, she was awarded as the ING-FINEX CFO of the Year for 2008.

***Directorship in other publicly listed companies:***

Integrated Micro-electronics, Inc., Manila Water Company, Inc. Far Eastern University and Metro Retail Stores Group Inc.

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

All the incumbent directors are nominees to the Board.

**Senior Leadership Team/Key Officers**

Jose Eduardo A. Quimpo II*	President & Chief Executive Officer
Ma. Teresa R. Famy	Treasurer & Chief Finance Officer
Rowena P. Libunao	Chief Audit Executive
Maria Franchette M. Acosta	Corporate Secretary
Ma. Florence Therese dG. Martirez-Cruz	Chief Compliance Officer & Assistant Corporate Secretary
Roscoe M. Pineda	Data Protection Officer
Maphilindo S. Tandoc	Chief Risk Officer
* <i>Member of the Board of Directors.</i>	

**MA. TERESA R. FAMY**, Filipino, 59, is the Treasurer and Chief Finance Officer of the Company. She was appointed as the Chief Finance Officer effective July 1, 2021, and as Treasurer of the Company effective August 12, 2021. She has been with the ALI Group for 17 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 worked as an Auditor for SyCip Gorres Velayo and Co. She is a Certified Public Accountant and holds a Bachelor's Degree in Accounting from Divine Word College, Legazpi City.

**ROWENA P. LIBUNAO**, Filipino, 47, is currently the audit lead for Leasing and Hospitality. She has been with ALI Internal Audit for almost 13 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.

**FRANCHETTE M. ACOSTA**, Filipino, 52, is the Corporate Secretary of AREIT, Inc. since March 13, 2024. She is the Corporate Secretary, Corporate Governance Group Head and Chief Legal Officer of Ayala Corporation. She is also the Corporate Secretary of ALI, ACEN CORPORATION, Globe Telecom, Inc. and Integrated Micro-electronics, Inc. She has been a practicing lawyer for 24 years, with 18 years in Villaraza & Angangco Law Firm where she was a Senior Partner, Co-Managing Partner and Head of its Corporate and Commercial Department. Ms. Acosta was also an Assistant Secretary at the Office of the Chief Presidential Legal Counsel of the Republic of the Philippines where she worked from 2001 to 2003 and recognized as an expert counsel in leading legal journals and publications such as Chambers Global, Chambers Asia Pacific and Legal 500. She is a consistent Asia Business Law Journal's top 100 lawyers of the Philippines. Atty. Acosta graduated from New York University with a Master of Laws in 2003 and ranked 3rd in the Philippine Bar Examination. She earned her Bachelor of Laws from the University of the Philippines College of Law in 1998 where she graduated Class Valedictorian and Cum Laude. She holds a Bachelor of Science in Business Economics from the University of the Philippines School of Economics in 1994 where she graduated Magna Cum Laude.

**MA. FLORENCE THERESE DG. MARTIREZ-CRUZ**, Filipino, 39, has served as the Assistant Corporate Secretary of AREIT, Inc. since November 14, 2022, and Chief Compliance Officer of the AREIT, Inc. since April 26, 2023. She is the Corporate Secretary of Ayalaland Logistics Holdings Corp. and AREIT Fund Managers, Inc., and concurrently the Head of Legal of AREIT, Inc. and Ayalaland Offices, Inc. She is the Compliance Officer for Anti-Money Laundering of ALI, and the Legal Group Head for ALI's Leasing and Hospitality Group, and ALI Legal's Banking, Finance, Securities, and Special Projects group. She was the Assistant Corporate Secretary of Ayala Land, Inc. from April 26, 2023 to May 28, 2024. 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 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 and was included in the Legal 500's GC Powerlist Philippines 2023.

**ROSCOE M. PINEDA**, Filipino, 52, has served as the Data Protection Officer of our Company since January 1, 2024. He is a Vice President and Information Technology Director of the Residential Business Group of Ayala Land, Inc. He assumed the Chief Information Officer (CIO) position for the ALI Group effective on October 1, 2023, and appointed as Data Privacy Officer for the group on January 1, 2024. Mr. Pineda was the Service Center Lead for Technology and was also the Chief Operating Officer of ANZ Global Services and Operations in Manila. He was the Chief Shared Services Officer of the Asia Service Centre of Sun Life of Canada and was a VP of CHARTIS Technology and Operations Management Corp. (AIG Shared Services) in various senior roles. He was a member of the Board of Trustees of the Global In-house Centers Council of the Philippines, a company delegate and representative of the IT & Business Process Association of the Philippines and Contact Center Association of the Philippines. He is a bona fide member of the PMI.org and currently a Certified Project Management Professional. Mr. Pineda has a bachelor's degree in mathematics, Major in Computer Science from the University of Santo Tomas.

**MAPHILINDO S. TANDOC**, Filipino, 61, has served as the Company's Chief Risk Officer since April 21, 2022. He is currently ALI'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 to 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 ALI as the company's Risk Insurance Manager. He was promoted in 2012 to be the ALI's Chief Risk Officer 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 a 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. (SOPI).



## 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 24, 2025 and have been its Independent Director since February 05, 2020.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Security Bank Corporation	Independent Director	August 1, 2019 to present
Maxicare Health Corporation	Independent Director	August 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	November 2020 to present
DITO CME Holdings, Inc.	Independent Director	December 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 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 07 2025 at MAKATI CITY.

  
**ENRICO S. CRUZ**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 07 2025 at MAKATI CITY,  
affiant personally appeared before me and exhibited to me his Passport No. \_\_\_\_\_  
at \_\_\_\_\_ issued on \_\_\_\_\_

Doc No. 446 ;  
Page No. 71 ;  
Book No. LX ;  
Series of 2025 .



  
ROBERTO T. ONGSIAKO  
Notary Public - Makati City

Serial DST pursuant to Sec. 61 of the  
RAINACT (amending Sec. 188 of the  
NIRC) affixed on original submitted to  
the court.

## 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.**, (the "Corporation") for its Annual Stockholders' Meeting on April 24, 2025 and have been its Independent Director since June 28, 2019.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
ABACORE Capital Holdings, Inc.	Independent Director Chairman of Investment Committee Member of Related Party Transaction	2019-Present
Abacus Global Technovisions, Inc.	Independent Director	
De La Salle Philippines	Chairman of Investment Committee	2018-Present
Center for Research and Communication Foundation, Inc.	Vice Chairman of the Board Member of Board Executive Committee	2016-Present
Financial Executives Institute Foundation of the Philippines	Trustee	2016-Present
Montemaria Asia Pilgrims, Inc.	Independent Director Chairman of Audit Committee	
Philippine National Police Foundation, Inc.	Trustee	2016-Present
Philippine Regional Investment Enterprises Inc.	Independent Director Chairman of Investment Committee	2019-Present
RCBC Capital Corporation	Independent Director	2021-Present
Simlong Energy Development Corporation	Independent Director	
Toyota Philippines Financial Services, Inc.	Independent Director	2021-Present
University of Asia and the Pacific	Vice Chairman of the Board Member of Board Executive Committee	2016-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 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 19 2025 at MAKATI CITY.

  
OMAR T. CRUZ  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 19 2025 at MAKATI CITY,  
affiant personally appeared before me and exhibited to me his \_\_\_\_\_  
at \_\_\_\_\_ issued on \_\_\_\_\_



  
ROBERTO T. ONGSIAKO

Doc No. 459 ;  
Page No. 92 ;  
Book No. LX ;  
Series of 2025 .

Notarial DST pursuant to Sec. 61 of the  
TRAIN ACT (amending Sec. 188 of the  
NIRC) affixed on original submitted to  
the court.

## 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 24, 2025 and have been its Independent Director since April 26, 2023.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Manila Water Company, Inc.	Independent Director	April 2013 to date
Integrated Micro-electronics, Inc.	Independent Director	April 2018 to date
Far Eastern University, Inc.	Director	August 2010 to date
FERN Realty Corporation	Director	August 2012 to date
Metro Retail Stores Group, Inc.	Chairman of the Board Director	May 2024 to date October 2023 to date
Vicsal Development Corporation	Senior Board Adviser	March 2012 to date
Justice Reform Initiative (JRI)	Board Adviser	May 2017 to date
Financial Executives Institute (FINEX) Foundation	Board Trustee	
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 04 2025 at MAKATI CITY.

  
**SHERISA P. NUESA**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 04 2025 at MAKATI CITY, affiant  
personally appeared before me and exhibited to me her \_\_\_\_\_ issued on  
at \_\_\_\_\_

  
**RIZZAANNE O. SY**  
Notary Public - Makati City

Doc No. 121;  
Page No. 26;  
Book No. XXIV;  
Series of 2025.



Notarial DST pursuant to Sec. 61 of the  
TRAIN ACT (amending Sec. 188 of the  
NIRC) affixed on original submitted to  
the court.





### CERTIFICATION

I, MA. FLORENCE THERESE dG. MARTIREZ-CRUZ, Filipino, of legal age, with office address at 28<sup>th</sup> Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, after having been duly sworn in accordance with law, hereby depose and state:

1. I am the Assistant Corporate Secretary of AREIT, Inc. (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at 28<sup>th</sup> Floor, Tower One and Exchange Plaza, Ayala Avenue, Makati City;
2. I hereby certify that none of the directors and officers of the Corporation is connected with any Philippine government agency or any of its instrumentality;
3. Mr. Augusto D. Bengzon, a Director of the Corporation, is a Trustee of the Philippine National Police ("PNP") Foundation, Inc.<sup>1</sup> There is no employer-employee relationship between the PNP and Mr. Bengzon and the latter does not receive any compensation from the PNP.
4. This Certification is being issued in compliance with the requirements of the Securities and Exchange Commission for the filing of the Corporation's Information Statement (SEC Form 20-IS) for the 2025 annual stockholders' meeting.

Done this 21<sup>st</sup> day of March 2025 at Makati City.

  
**MA. FLORENCE THERESE dG. MARTIREZ-CRUZ**  
*Assistant Corporate Secretary*

SUBSCRIBED AND SWORN to before me this 21<sup>st</sup> day of March 2025 at Makati City, the affiant exhibited to me, as competent evidence of identity, her \_\_\_\_\_ issued by the \_\_\_\_\_

Doc. No. 266 ;  
Page No. 55 ;  
Book No. VIII ;  
Series of 2025.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Court's copy.



  
**TRIXIE CARMELA J. GONZALES**  
*Notary Public – Makati City*

<sup>1</sup> PNP Foundation is a private foundation, and not a government agency or connected to the government in any way.

## ANNEX “C”

### MANAGEMENT REPORT

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

##### **Review of FY 2024 operations vs FY 2023**

The Company’s net income increased by 45% from P5,030.54 million in 2023 to P7,317.06 million in 2024. Net income before the net fair value change in investment properties increased by 49% from P4,931.29 million in 2023 to P7,360.44 million in 2024. The increase was mainly due to income from the contribution of additional properties acquired in July 2023, January 2024 and July 2024.

##### **Revenues**

Total revenues increased by 44% from P7,140.34 million in 2023 to P10,259.17 million in 2024. This growth was mainly driven by higher rental income and dues.

Rental income increased by 39% from P5,438.89 million in 2023 to P7,562.12 million in 2024. The increase was primarily attributable to the full year contribution of properties acquired in July 2023, and contribution of properties acquired in January and July 2024.

Dues increased by 23% from P1,250.61 million in 2023 to P1,535.01 million in 2024. The increase was attributable to the operations of new assets acquired in July 2023, January and July 2024.

Interest income from finance leases amounted to P450.83 million in 2023 to P1,162.03 million in 2024. This pertains to various lease agreements with ALI or related parties that was subjected to finance lease.

##### **Cost and Expenses**

Direct operating expenses increased by 34% from P1,978.49 million in 2023 to P2,659.67 million in 2024. The increase was primarily due to expenses from operations of additional properties acquired in July 2023, January and July 2024.

General and administrative expenses decreased by 28% from P126.35 million in 2023 to P91.33 million in 2024.

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

Interest income increased by 30% from P133.83 million in 2023 to P174.49 million in 2024. The increase was mainly due to increased interest income from intercompany loans.

Interest expense and other charges increased by 35% from P236.97 million in 2023 to P319.11 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 P43.37 million in 2024 and addition of P99.25 million in 2023.

##### **Provision for income tax**

Income tax provision increased from P1.07 million in 2023 to P3.11 million in 2024, due to the final tax on interest income from banks and short-term investments.

##### **Capital Expenditure**

The Company has no material commitments for capital expenditures.

##### **Summary of Real Estate Transactions for 2024**

On September 25, 2024, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI, Cebu Insular, Green Haven and BCHC to

841,259,412 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 19 March 2024.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 30 September 2024 so that the recognition of income from the new assets will accrue to AREIT beginning 01 July 2024.

### **Financial Condition**

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

As of December 31, 2024, the Company's total borrowings registered at ₱2.0 billion which translated to a debt-to-equity ratio of 0.02:1.

Return on equity was at 7% as of December 31, 2024.

<b>Key Financial Ratios</b>	<b>2024</b>	<b>2023</b>
Current Ratio <sup>(1)</sup>	0.83	0.80
Debt to Equity <sup>(2)</sup>	0.02	0.04
Profitability Ratios		
Return on Asset <sup>(3)</sup>	7%	6%
Return on Equity <sup>(4)</sup>	7%	7%
Asset to Equity Ratio <sup>(5)</sup>	1.09	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 actively manages its liquidity position so as to ensure that all operating, investing, and financing needs are met. Working capital requirements are sufficiently funded through cash collections. The Company secured credit line facilities with various local banks as approved by Board of Directors. As of December 31, 2024 the Company's available credit line is ₱23.5 billion.

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.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### **For Year Ended December 31, 2024, versus For Year Ended December 31, 2023**

The Company ended a net increase in cash of ₱29.41 million for the year ended December 31, 2024.

Net cash flows provided by operating activities amounted to ₱7,299.12 million and ₱6,537.79 million for the year ended December 31, 2024, and 2023, respectively. The increase is mainly due to higher collections contributed by additional properties.



Cash flows used in Investing activities amounted to ₱88.23 million and ₱1,936.75 million for the year ended December 31, 2024, and 2023, respectively. This pertains mainly to due from related parties and additions to investment properties.

Cash flows used in Financing activities amounted to ₱7,181.47 and ₱4,622.03 million for the year ended December 31, 2024, and 2023. This pertains mainly to dividends and short-term loans.

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

**Assets**

Cash increased by 70% primarily due to higher cash flows from operating activities.

Receivables—current and noncurrent portion—increased by 80%, mainly due to additional properties. Higher finance lease receivables were contributed by the newly executed contracts for the building leases of Seda Lio, Greenbelt 3&5 Malls, Holiday Inn and Sebu Ayala Center Cebu.

Other current assets increased by 95% due to higher prepaid expenses pertaining to advance payment of real property taxes.

Investment properties increased by 25% mainly due to the acquisition of additional properties in January and July 2024.

Property and equipment decreased by 7% due to the depreciation for the period.

Other noncurrent assets decreased by 9% due to lower input VAT classified as noncurrent.

**Liabilities**

Short-term loans decreased by 33%, due to repayment of P1.0 billion in 2024.

Accounts and other payables increased by 40%, mainly due to additional payables from additional properties.

The current portion of deposits and other liabilities decreased by 40%, mainly due to lower advance payment.

Construction bonds amounted to ₱138.14 million as of December 31, 2024. 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.

The noncurrent portion of deposits and other liabilities increased by 12%, mainly due to increased security deposits and advance rent.

**Equity**

Total equity of ₱113,370.52 million as of December 31, 2024, 36% higher than December 31, 2023, at ₱83,409.84 million, due to increase in paid-up capital from ₱24,359.37 million in 2023 to ₱32,771.96 million in 2024. Retained earnings increased from ₱23,403.74 million in 2023 to ₱24,903.51 million in 2024.

**Property Performance as of December 31, 2024**

Property	Location	Valuation Date	Valuation cost (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) <sup>1</sup>	Gross Revenues (in Pesos, millions)
Solaris	Makati	Dec 2024	7,377	46,768	44,016	94%	24	546	714
Ayala North Exchange <sup>1</sup>	Makati	Dec 2024	11,453	95,314	88,532	93%	34	747	1,017
MECC	Makati	Dec 2024	1,675	10,688	10,438	98%	30	154	185
TP Cebu	Cebu	Dec 2024	1,926	18,093	18,093	100%	27	168	212
The 30th	Pasig	Dec 2024	4,655	74,704	73,514	98%	32	422	582
Laguna Technopark Land	Laguna	Dec 2024	1,248	98,179	98,179	100%	n/a	90	90
Vertis <sup>1</sup>	Quezon City	Dec 2024	16,519	164,450	152,231	93%	34	1,226	1,563
BPI- Philam Makati	Makati	Dec 2024	86	1,072	660	62%	n/a	5	6
BPI- Philam Alabang	Muntinlupa	Dec 2024	30	212	212	100%	n/a	2	5
Bacolod Capitol	Negros Occidental	Dec 2024	769	11,313	11,313	100%	37	70	93
Ayala Northpoint	Negros Occidental	Dec 2024	209	4,654	4,654	100%	34	26	31
Evotech	Laguna	Dec 2024	2,986	23,727	23,439	99%	34	186	293
eBloc Towers 1 to 4	Cebu	Dec 2024	7,785	79,640	76,511	96%	34	636	857
ACC Tower	Cebu	Dec 2024	1,732	27,458	23,514	86%	34	188	198
Tech Tower	Cebu	Dec 2024	988	16,273	12,852	79%	34	85	95
One Ayala West and East Towers	Makati	Dec 2024	12,319	70,995	70,995	100%	40	1,487	1,653
Glorietta 1&2 BPOs and Mall <sup>1</sup>	Makati	Dec 2024	12,698	108,790	108,365	100%	35	544	962
Marque Mall <sup>1</sup>	Pampanga	Dec 2024	2,878	66,041	66,041	100%	24	-	181
SEDA Lio <sup>1</sup>	Palawan	Dec 2024	1,638	17,680	17,680	100%	25	-	103
Ayala Triangle Garden Tower 2	Makati	Dec 2024	13,954	63,150	61,887	98%	40	674	753
Greenbelt 3&5 Mall <sup>1</sup>	Makati	Dec 2024	7,055	93,732	93,732	100%	40	-	216
Holiday Inn <sup>1</sup>	Makati	Dec 2024	3,443	26,218	26,218	100%	25	-	105
Seda Ayala Center Cebu <sup>1</sup>	Cebu	Dec 2024	1,680	13,579	13,579	100%	40	-	56
Palauig Industrial land	Zambales	Dec 2024	6,857	2,759,135	2,759,135	100%	25	288	288

<sup>(1)</sup> Does not include portion of mall and hotel buildings under finance lease

## **Review of FY 2023 operations vs FY 2022**

The Company's net income increased by 74% from ₱2,887.56 million in 2022 to ₱5,030.54 million in 2023. Net income before net fair value change in investment increased by 43% from ₱3,436.52 million in 2022 to ₱4,931.29 million in 2023. The increase was mainly due to income from additional properties acquired in 2022 and 2023.

### **Revenues**

Total revenues increased by 41% from ₱5,072.85 million in 2022 to ₱7,140.34 million in 2023. This was contributed by higher rental income and net dues from the additional properties acquired in the fourth quarter of 2022 and third quarter of 2023.

Rental income increased by 43% from ₱3,807.53 million in 2022 to ₱5,438.89 million in 2023. The increase was primarily attributable to the additional properties, namely, Ebloc Towers 1 to 4, ACC Tower, and Tech Tower, which the company acquired in October 2022 and One Ayala West and East Towers, Glorietta 1 and 2 BPO, Glorietta 1&2 Mall, and Marquee Mall, acquired in July 2023.

Dues increased by 20% from ₱1,042.99 million in 2022 to ₱1,250.61 million in 2023. The increase was driven by the operations of new assets acquired in October 2022 and July 2023.

Interest income from finance lease increased by 103% from ₱222.32 million in 2022 to ₱450.83 million in 2023. The increase was mainly due to the newly executed lease contracts between the Company and AyalaLand Malls, Inc. ("ALMI") for the building lease of Glorietta 1&2 mall and between the Company and Northbeacon Commercial Corp. ("NBCC") for the building lease of Marquee Mall, both of which commenced on July 1, 2023.

### **Cost and Expenses**

Direct operating expenses increased by 45% from ₱1,359.80 million in 2022 to ₱1,978.49 million in 2023. The increase is in line with the increase in rental income due to additional properties acquired by the Company.

General and administrative expenses increased by 59% from ₱79.49 million in 2022 to ₱126.35 million in 2023, mainly due to additional provisions for doubtful accounts.

### **Other income (charges)**

Interest Income increased by 290% from ₱34.33 million in 2022 to ₱133.83 million in 2023. The increase was mainly due to higher interest income from intercompany loans, which increased from ₱33.71 million in 2022 to ₱128.50 million in 2023.

Interest expense and other charges increased by 2% from ₱231.24 million in 2022 to ₱236.97 million in 2023. Interest expense on loans recognized amounted to ₱93.94 million and ₱100.25 in 2023 and 2022, respectively, interest expense from finance lease amounting to ₱84.13 million and ₱81.83 million in 2023 and 2022, respectively and accretion of security deposit amounting to ₱34.78 million in 2023 and ₱26.29 million in 2022.

Other charges amounted to ₱24.12 million in 2023 and ₱22.88 million in 2022. This mainly pertain to amortization of bond issue costs.

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

In 2023, the Company recognized an increase in fair value in investment properties of ₱99.25 million and a reduction of (₱548.95 million) in 2022.

### **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 an effective income tax rate of 0% under REIT law. The Company recognized final tax from interest income earned from banks amounting to ₱1.07 million and ₱0.12 million in 2023 and 2022, respectively.

### **Capital Expenditure**

The Company has no material commitments for capital expenditure.



## **Summary of Real Estate Transactions for 2023**

On September 20, 2023, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI, ALMI and to 607,559,380 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 02 June 2023.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 20 September 2023 so that the recognition of income from the new assets will accrue to AREIT beginning 01 July 2023.

## **Financial Condition**

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

As of December 31, 2023, the Company's total borrowings registered at ₱3.0 billion which translated to a debt-to-equity ratio of 0.04:1.

Return on equity was at 7% as of December 31, 2023.

<b>Key Financial Ratios</b>	<b>2023</b>	<b>2022</b>
Current Ratio <sup>(1)</sup>	0.80	0.43
Debt to Equity <sup>(2)</sup>	0.04	0.05
Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	5%
Return on Equity <sup>(4)</sup>	7%	5%
Asset to Equity Ratio <sup>(5)</sup>	1.12	1.13
<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.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **For Year Ended December 31, 2023 versus For Year Ended December 31, 2022**

The Company ended a net decrease in cash of ₱20.99 million for the year ended December 31, 2023.

Net cash flows provided by operating activities amounted to ₱6,537.79 million and ₱3,933.43 million for the year ended December 31, 2023 and 2022, respectively. The increase is mainly due to higher collections contributed by additional properties.

Cash flows used in Investing activities amounted to ₱1,936.75 million and ₱263.05 million for the year ended December 31, 2023 and 2022, respectively. The increase mainly due to higher due from related parties and additions to investment properties.

Cash flows used in Financing activities amounted to ₱4,622.03 and ₱3,699.64 million for the year ended December 31, 2023 and 2022. This pertains mainly to dividends and short-term loans.

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

**Assets**

Cash decreased by 33%, primarily due to cash flows used in investing and financing activities, such as repaying short-term loans and paying dividends.

Receivables—current and noncurrent portion—increased by 169%, mainly due to additional properties. Higher finance lease receivables were contributed by the newly executed contracts for the building leases of Glorietta 1&2 Mall and Marquee Mall.

Other current assets increased by 14% due to higher input VAT classified as current.

Investment properties increased by 29% mainly due to the acquisition of additional properties namely, One Ayala East and West Towers, Glorietta 1&2 BPO and Mall, and Marquee mall.

Property and equipment increased by 76% due to the acquisition of new office equipment.

Other noncurrent assets decreased by 5% due to lower input VAT classified as noncurrent.

**Liabilities**

Short-term loans, the outstanding short-term loans amounted to ₱3.0 billion as of December 31, 2023.

Accounts and other payables increased by 100%, mainly due to additional payables from additional properties.

The current portion of deposits and other liabilities increased by 23%, mainly due to additional deposits from newly acquired assets.

The current portion of lease liability increased by 8%. The total cash outflow related to leases amounted to ₱53.90 million and ₱49.23 million in 2023 and 2022, respectively, composed of principal payment and interest on lease liabilities.

Construction bonds, amounted to ₱95.69 million as of December 31, 2023. 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.

The noncurrent portion of deposits and other liabilities increased by 90%, mainly due to increased security deposit and advance rent from the tenants of newly acquired properties.

**Equity**

Total equity of ₱83,409.84 million as of December 31, 2023, 39% higher than December 31, 2022 at ₱60,072.89 million, due to increase in paid-up capital from ₱17,610.47 million in 2022 to ₱24,359.37 million in 2023. Retained earnings increased from ₱22,440.77 million in 2022 to ₱23,403.74 million in 2023.

**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.

## 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.

Key Financial Ratios	2022	2021
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		

## 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 ~~used~~ 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 ~~used~~ amounted to ₱3,699.64 million in 2022 mainly due to payment of dividends and short-term loans. Cash flows ~~and~~ 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. 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.

### **NATURE AND SCOPE OF BUSINESS**

AREIT, Inc. is a real estate company established in the Philippines. 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 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 February 12, 2024, the Company's recurring income portfolio consists of nine hundred eighteen thousand in gross leasable area totaling ₱87.2 billion in AUM. 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 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.
- **Glorietta 1 and 2 Mall Wings**, a four (4)-storey commercial development with three (3) basement floors and equipment, redeveloped in 2013, located in Makati Commercial Center, San Lorenzo Village, Makati City with a gross floor area of [68,673.84] sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **Glorietta BPO 1 and 2**, a Philippine Economic Zone Authority (PEZA)-accredited office development composed of two (2) BPO buildings, Glorietta BPO 1 with seven (7) storeys and Glorietta BPO 2 with eight (8) storeys, and equipment located within the Makati Commercial Center, San Lorenzo Village, Makati City with a gross floor area of 60,632.84 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **One Ayala East Tower**, a twenty-three (23)-level, PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Barangay San Lorenzo, Makati City, with a gross floor area of 58,351.01 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **One Ayala West Tower**, an eighteen (18)-level, PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Barangay San Lorenzo, Makati City, with a

gross floor area of 59,014.91 sq. m. The land on which the building stands is owned by Ayala Land, Inc.

- **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. The land on which the building stands is owned by Northbeacon Commercial Corp.
- **Seda Lio**, a one hundred fifty-three (153)-room resort-hotel with a total gross floor area of 17,680 square meters (sq.m.) and the surrounding amenities. The land on which the resort-hotel stands is owned by Econorth Hotel Ventures, Inc.
- **Ayala Triangle Gardens Tower 2** is a premium, luxury office building completed in 2022 and has 63,150 sqm in gross leasable area. The office building sits at the tip of Ayala Triangle in Makati Central Business District. Company headquarters are tenants of the 39 floors of office.
- **Greenbelt 3 & 5 mall wings** are part of the interconnected Greenbelt complex, a group of flagship malls located in Makati City, the country's premier financial capital. The mall wings have a total gross leasable area of 93,732 sqm. Retail anchors, five-star hotels, and premium residential villages and condominiums are walking distance from the mall. Greenbelt 3 & 5 are home to flagship stores of both foreign luxury brands and affordable shopping, entertainment outlets, and outdoor walkways with landscaping.
- **Holiday Inn & Suites** is a five-star hotel that sits within Makati Central Business District. The 16-storey, 348 guest room hotel spans 26,218 sqm in gross leasable area. The roof deck is linked to the top of Glorietta Mall. The hotel also features amenities that include lobby and executive lounges, all day dining, a bar, function rooms, and a health and fitness club.
- **Seda Ayala Center Cebu** is a four-star hotel located within the Cebu Business Park in Cebu City. The 12-storey, 301 guest room hotel spans 13,579 sqm in gross leasable area. The hotel is surrounded by commercial and shopping centers and residential developments. The hotel also features amenities like lobby and executive lounges, all day dining, function rooms, and a fitness gym.
- **Palauig Land** is an industrial lot in Palauig, Zambales. The land is utilized for a solar farm. Residential and school developments and other solar farms neighboring the land.

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

### A. Principal market where the registrant's common equity is traded.

The following table shows the high and low prices (in PHP) of AREIT's shares in the Philippine Stock Exchange for the year 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1 <sup>st</sup> qtr	₱35.85	₱31.50	₱32.85	₱32.26
2 <sup>nd</sup> qtr	₱35.15	₱32.70	₱35.35	₱34.71
3 <sup>rd</sup> qtr	₱39.10	₱34.30	₱32.80	₱32.10
4 <sup>th</sup> qtr	₱40.45	₱37.15	₱33.45	₱33.00

Source: PSE

The market capitalization of the Company's common shares as of end-2024, based on the closing price of ₱37.95/share, was approximately ₱121,814,414,130.00.

The price information of common shares, shares as of the close of the latest practicable trading date, March 24, 2025 is ₱39.00 per share.

### B. Holders

The following are the top 20 registered holders of the Company's securities based on the records of our stock transfer agents:

#### Common Shares

There are 33 registered holders of common shares as of March 21, 2025.



	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Ayala Land, Inc.	1,319,597,394	41.111%
2.	PCD Nominee Corporation (Filipino)	1,107,316,046	34.497%
3.	Ayalaland Malls, Inc.	287,186,771	8.947%
4.	Buendia Christiana Holdings Corp.	199,109,438	6.203%
5.	PCD Nominee Corporation (Non-Filipino)	124,601,654	3.882%
6.	Greenhaven Property Ventures, Inc.	77,505,974	2.415%
7.	Northbeacon Commercial Corporation	55,382,567	1.725%
8.	Cebu Insular hotel Co., Inc.	38,326,934	1.194%
9.	Emily Chua Catienza	175,000	0.005%
10.	Manuel Gutierrez or Martina Maria Elizabeth Y. Gutierrez	137,900	0.004%
11.	James Esteves Takano	120,000	0.004%
12.	Beniya Antoinette Chua Catienza	115,000	0.004%
13.	Group 168 Holdings Corporation	110,000	0.003%
14.	Cesar Santos Rodriguez, Jr.	52,000	0.002%
15.	Han-Chun Chang	35,000	0.001%
16.	NSJS Realty and Development Corp.	25,000	0.001%
17.	Maria Victoria Romero San Pascual	24,000	0.001%
18.	Sylvette Young Tankiang	13,100	0.000%
19.	Daniel Inigo Simbulan Caringal	11,000	0.000%
20.	Alberto B. Guevara Jr. or Alberto F. Guevara III or Isabel F. Guevara	8,000	0.000%

A list of the company's top 100 shareholders as of December 31, 2024 can be found through this link: <https://www.areit.com.ph/wp-content/uploads/2025/01/AREIT-Top-100-Stockholders-as-of-December-31-2024.pdf>.

### C. Dividends

#### Cash Dividends on Common Shares

Year	Payment Date	Rate (Php)	Record Date
2022	March 25, 2022	0.47/share	March 11, 2022
	June 17, 2022	0.48/share	June 02, 2022
	September 9, 2022	0.49/share	August 26, 2022
	November 10, 2022	0.49/share	October 25, 2022
2023	March 24, 2023	0.52/share	March 10, 2023
	June 16, 2023	0.52/share	May 31, 2023
	September 13, 2023	0.53/share	August 30, 2023
	December 15, 2023	0.55/share	December 1, 2023
2024	March 20, 2024	0.55/share	March 04, 2024
	June 13, 2024	0.56/share	May 28, 2024
	July 26, 2024	0.56/share	August 11, 2024
	December 13, 2024	0.58/share	November 27, 2024
2025	March 21, 2025	0.58/share	March 5, 2025

#### 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 2023, the Company declared total dividends amounting to ₱6,376.28 million representing 92.58% of the Distributable Income for the year 2024.

	2024
Net income	₱7,317,064,621
Unrealized gains:	
Net fair value loss on investment properties	43,374,600
Straight-line adjustments recorded in rental income	(473,104,893)
Distributable Income	₱6,887,334,328

For 2024, dividends declared were as follows:

<b>Payment Date</b>	<b>Aggregate Amount Paid</b>
June 13, 2024	1,326,419,681
August 11, 2024	1,326,419,681
December 13, 2024	1,861,722,271
March 21, 2025	1,861,722,271
<b>Total Amount of Dividends Paid</b>	<b>6,376,283,904</b>
	<b>92.58%</b>

**% of Dividends to Distributable Income\***

*\*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>
2022	3,118,754,323	3,436,517,020	90.75%
2023	4,454,566,783	4,931,289,156	90.33%
2024	6,376,283,904	6,887,334,328	92.58%

**D. Recent sale of securities**

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

**E. Compliance Program**

***Corporate Governance***

The Board of Directors, officers and employees of the Company commit themselves to the principles and best practices embodied in its Corporate Governance Manual (the “Manual”). The Company believes that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore exert every effort to ensure adherence thereto within the organization.

***Compliance Officer***

The Board designates a Compliance Officer who reports to the Chairman of the Board. As required of publicly-listed companies, the appointment of Compliance Officer is properly disclosed to the SEC. The Board also ensures the presence and adequacy of internal control mechanisms for good governance. The Compliance Officer’s duties include ensuring proper on boarding of new directors (i.e., orientation on the Company’s business, charter, articles of incorporation and by-laws, among others), monitor, review, evaluate and ensure compliance by the Company, its officers and directors with the relevant laws, with the Code of Corporate Governance (“Code”), rules and regulations and all governance issuances of regulatory agencies, appear before the SEC upon summon on matters in

relation to compliance with the Code, ensure the integrity and accuracy of all documentary submissions to regulators, determine violation/s of the Code and recommend to the Board the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation, identify possible areas of compliance issues and work towards the resolution of the same, develop and establish, subject to approval of the Board, a monitoring and evaluation system to determine compliance with the Manual, which system shall provide for a procedure that fulfils the requirements of due process, ensure the attendance of board members and key officers to relevant trainings and perform such other duties and responsibilities as may be provided by the SEC.

#### ***Integrated Annual Corporate Governance Report (I-ACGR)***

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-listed companies to submit an Integrated Annual Corporate Governance Report (“I-ACGR”) on or before May 30 of the following year for every year that the company remains listed in the PSE, covering all relevant information for the preceding year. The Company submitted its I-ACGR for the years 2020, 2021, 2022, and 2023 on July 1, 2021, May 30, 2022, May 31, 2023 and May 31, 2024, respectively. As of date of this Information Statement, the Company has substantially complied with the principles and best practices contained in the Manual. There were no sanctions imposed on any director, officer or employee for noncompliance of the Manual. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance. On February 24, 2022, the Board approved revisions to the Manual streamlining the functions of board committees.

#### ***Integrated Report***

The Company adheres to the International Integrated Reporting Framework set by the International Integrated Reporting Council as a means to present its business model, risk and opportunities, strategy, performance, and outlook. A copy of the Company’s 2023 Integrated Report may be accessed *via* <https://www.aret.com.ph/wp-content/uploads/2024/04/AREIT-2023-Integrated-Report.pdf>

A copy of the Company’s Integrated Report for the year 2024 will be provided to stockholders of record *via* <https://aret.com.ph>.

**Upon the written request of the stockholders, 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<sup>th</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City 1226**

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





# **Property-for-Share Swap between AREIT, Inc., Ayala Land, Inc., Central Bloc Hotel Ventures, Inc., Accendo Commercial Corporation, and Cagayan De Oro Gateway Corporation**

**Fairness Opinion Report**



**STRICTLY PRIVATE & CONFIDENTIAL**

19 February 2025

**AREIT Fund Managers, Inc.**

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

**Accendo Commercial Corporation**

J.P. Laurel Avenue Poblacion District  
Davao City, Davao Del Sur

**Cagayan De Oro Gateway Corporation**

Minmoco Building  
Corrales Avenue, corner C.M., Claro M. Recto Avenue  
Cagayan de Oro, Misamis Oriental

Attention: Board of Directors of AREIT Fund Managers, Inc., Accendo Commercial Corporation, and Cagayan De Oro Gateway Corporation

**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"), Accendo Commercial Corporation ("ACCENDO"), Cagayan De Oro Gateway Corporation ("CDOGC"), and Central Bloc Hotel Ventures, Inc. ("CBHVI") into AREIT, Inc. ("AREIT"). ALI, ACCENDO, CDOGC, and CBHVI 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 buildings (i.e., Central Bloc 1&2 in Cebu City owned by ALI, Abreeza Corporate Center in Davao City owned by ACCENDO and Centrio Corporate Center in Cagayan De Oro City owned by CDOGC), three shopping malls (i.e., Central Bloc Mall in Cebu City owned by ALI, Abreeza Mall in Davao City owned by ACCENDO and Centrio Mall in Cagayan De Oro City owned by CDOGC), and one hotel (i.e., Seda Central Bloc in Cebu City owned by CBHVI).

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 AREIT and the Properties in accordance with the 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 30 September 2024, 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, amended No. 2024-0019) 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 – No. 2024-0063 released on December 13, 2024) 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 SEC (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		
Central Bloc Office 1	1,881	2,452
Central Bloc Office 2	2,655	3,418
Abreeza BPO	629	805
Centrio BPO	534	695
Central Bloc Mall	3,915	4,484
Abreeza Mall	3,486	3,992
Centrio Mall	4,366	5,000
Seda Central Bloc	1,286	1,474
<b>TOTAL RANGE OF MARKET VALUES</b>	<b>18,753</b>	<b>22,320</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>121,004</b>	<b>142,435</b>	<b>37.70</b>	<b>44.37</b>
<i>Cross-checks:</i>				
Volume Weighted Average Price Method	108,580	118,559	33.83	36.94
Comparable Public Companies Method				
EV-to-NTM EBITDA	111,669	142,077	34.79	44.26
Price-to-NTM EPS	109,546	116,824	34.13	36.40
<b>RANGE OF MARKET VALUES</b>	<b>121,004</b>	<b>142,435</b>	<b>37.70</b>	<b>44.37</b>

<sup>1</sup>Total number of shares equal 3,209.87 million based on outstanding shares as of Valuation Date

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	
Amounts in PHP millions, except price per share	Low Estimate	High Estimate
Central Bloc Office 1	1,881	2,452
Central Bloc Office 2	2,655	3,418
Abreeza BPO	629	805
Centrio BPO	534	695
Central Bloc Mall	3,915	4,484
Abreeza Mall	3,486	3,992
Centrio Mall	4,366	5,000
Seda Central Bloc	1,286	1,474
AREIT (PHP/share) <sup>1</sup>	37.70	44.37

Fair Range of AREIT Shares to be Exchanged (in millions)	Low Estimate	High Estimate
Central Bloc Office 1	42.40	65.04
Central Bloc Office 2	59.84	90.68
Abreeza BPO	14.17	21.34
Centrio BPO	12.03	18.43
Central Bloc Mall	88.24	118.95
Abreeza Mall	78.56	105.91
Centrio Mall	98.39	132.63
Seda Central Bloc	28.99	39.09
<b>Total Fair Range of AREIT Shares to be Exchanged</b>	<b>422.61</b>	<b>592.08</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
In Millions	Low	High	
Central Bloc Office 1	42.40	65.04	54.5
Central Bloc Office 2	59.84	90.68	64.2
Abreeza BPO	14.17	21.34	17.6
Centrio BPO	12.03	18.43	14.6
Central Bloc Mall	88.24	118.95	106.1
Abreeza Mall	78.56	105.91	94.8
Centrio Mall	98.39	132.63	118.7
Seda Central Bloc	28.99	39.09	35.3
<b>Total number of shares</b>	<b>422.61</b>	<b>592.08</b>	<b>505.8</b>

Source: FTI Consulting Analysis, AREIT Management

Given that the shares to be issued by AREIT fall within our fair ranges 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 considered fair from a financial point of view.

## Statement of Limitations

- This Report opines solely on the fairness of the number of shares to be issued by AREIT and the valuation of the Properties and AREIT. 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 AREIT, ALI, ACCENDO, CDOGC, CBHVI, audited and unaudited financial statements 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 AREIT and the Properties or any financial or other information.
- With respect to prospective financial information relative to the AREIT and the Properties 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 AREIT's, ALI's, ACCENDO's, CDOGC's, and CBHVI's directors, officers, or employees relative to the compensation to AREIT's, ALI's, ACCENDO'S, CDOGC's, and CBHVI'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, as it relates to the Transaction, FTI Consulting has not received or intends to receive compensation as a financial advisor.
- Information with respect to AREIT's and the Properties' 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 AREIT's, ALI's, ACCENDO's, CDOGC's, and CBHVI'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, Chartered Financial Analysts, and Chartered Valuer and Appraiser, are compliant with the Code of Ethics of the Philippine Institute of Certified Public Accountants, the CFA Institute Code of Ethics, and and Code for Ethical Principles for Professional Valuers.
- 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.**

Suite 2403 24<sup>th</sup> Floor, Discovery Center,

25 ADB Avenue, Ortigas Center

Pasig City, 1605 Philippines

PSE Accreditation CN-No. 2024-0063

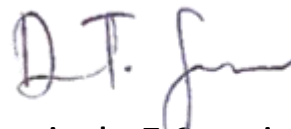
Validity Date: 29 December 2024 to 28 December 2027

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", written in a cursive style.

**John B. Balce**  
Senior Managing Director

A handwritten signature in blue ink, appearing to read "D.T. Gregorio", written in a cursive style.

**Dominador T. Gregorio III**



## MARKET VALUE APPRAISAL

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

### **Seda Central Boc Hotel**

Located in  
**Cebu I.T. Park,  
Barangay Apas, Cebu City**

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. 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 (2025 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, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 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 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

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

Subject : **CAI File No. 11-2024-1019-003A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a 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 use as of **28 November 2024**.

The appraised property is the **Seda Central Bloc Hotel (land, building and its facilities)**, located **at the corner of V. Padriga Street and W. Geonzon, within Cebu I.T. Park, Barangay Apas, Cebu City**.

The term **Market Value**, as used herein 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 wherein 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.

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;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar 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 using income approach appraised as of **02 December 2024** is reasonably presented as follows:

<b>INCOME APPROACH</b>	<b>MARKET VALUE (Php)</b>
<b><i>By Discounted Cash Flow</i></b>	<b><i>1,461,641,000</i></b>
<b><i>By Direct Capitalization</i></b>	<b><i>1,473,761,000</i></b>

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**  
PRC Registration Number: 0000407

MRC:roa

CAI File No. 11-2024-1019-003A

***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. 11-2024-1019-003A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located at the corner of V. Padriga and W. Geonzon Streets within Cebu I.T. Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **28 November 2024**.

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 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 the 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 the site of **SEDA Central Bloc Hotel** located **at the corner of V. Padriga and W. Geonzon Streets within Cebu I.T. Park, Barangay Apas, Cebu City**.

The site of Seda Central Bloc Hotel is located approximately 430-meter northeast from Salinas Drive; 620-meter northwest from Gov. M. Cuenco Avenue; 1.10-kilometer northwest from Ayala Center Cebu; 5.0-kilometer northeast from Cebu City Hall; and about 14.0-kilometer northwest from Mactan – Cebu International Airport.

V. Padriga and W. Geonzon Streets are approximately 20 meters wide. Both are concrete paved provided with center island, concrete sidewalks, concrete curbs and gutters, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu  
Skyrise 1 to 3  
eBloc Towers 1 to 3  
Park Centrale  
Filinvest Cebu Cyberzone  
Calyx Centre  
TGU Tower

Ayala Mall Central Bloc serves as the commercial and shopping center in the area. This is adjacent to the property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property.

#### **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 Cebu City as well as to the other parts of Metro Cebu is available in the Cebu IT Park Transport Terminal which is across from the subject property. 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**

No copy of the title or any ownership documents provided to us by the client. However, as measured on Google Map, Seda Central Bloc Hotel stands on 3,500-square meter lot.

Attached is the location plan of the property.

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.



## **VI. DESCRIPTION OF THE IMPROVEMENTS**

### **Seda (Central Bloc Hotel)**

This is a seventeen (17)-storey with roof deck and basement, reinforced concrete frame, beams, columns and foundation; reinforced concrete plain cement with ceramic, marble, granite, vinyl, carpeted floor finish; gypsum board on aluminum T-runner, acoustic board on T-runner, and suspended ceiling; cement plastered concrete hollow block walls, partially wood cladding, stone strip tile and fixed glass on aluminum frame walls; cement plastered concrete hollow block, tempered glass on aluminum frame, gypsum board, and laminated wood cubicle wall partitions; tempered fixed glass on powder coated aluminum frame view, awning tempered glass on powder coated aluminum frame and steel louver windows; wooden, flush type, glass on aluminum frame, frameless glass and steel panel doors; and reinforced concrete stairs with steel handrail.

The building is painted and provided with electrical and plumbing facilities. Total floor area is approximately 19,967.49 square meters.

The estimated remaining economic life is 46 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 the **existing utility, as hotel** 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**

### **By Income Approach**

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, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's

inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

#### **A. Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 8.50%, using built-up method;
3. Capitalization rate adopted to arrive at the terminal value is 6.0% (discount rate less growth rate);
4. Gross revenues for 2025 or Year 1 is Php26,283,538 based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided to us which we assumed that vacancy and bad debts are included;
5. Escalation rate of gross revenue is pegged at 2.5% per year;
6. Administration and Management Expenses, including leased on land is based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided; and
7. Marketing Cost is pegged at 3.5% of resale value.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Fair Value of the Property.

Discounted Cash Flow Analysis (in PhP) SEDA (CENTRAL BLOC HOTEL)														
STATISTICS														
Gross Leasable Area	19,967.49	sq.m.												
Discount Rate	8.50%													
Growth Rate	2.50%													
Terminal Capitalization Rate	6.00%													
Present Worth Factor			0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		
		Year	1	2	3	4	5	6	7	8	9	10	Totals	11
GROSS REVENUES		Escalation		0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		2.5%
Lease Rate			626	626	642	658	674	691	708	726	744	763		782
Total Annual Gross Rental			-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues			-	-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)														
Effective Gross Revenues			26,283,538	105,134,151	105,791,239	108,436,020	111,146,921	113,925,594	116,773,734	119,693,077	122,685,404	125,752,539	1,055,622,216	128,896,352
LESS EXPENSES:														
Business Tax			788,506	3,154,025	3,173,737	3,253,081	3,334,408	3,417,768	3,503,212	3,590,792	3,680,562	3,772,576	31,668,666	3,866,891
Administration & Management Expenses			2,241,250	4,606,768	4,626,481	4,705,824	4,787,151	4,870,512	4,955,956	5,043,536	5,133,306	5,225,320	46,196,104	5,355,953
Others			26,284	105,134	105,791	108,436	111,147	113,926	116,774	119,693	122,685	125,753	1,055,622	128,896
Total -			3,056,040	7,865,927	7,906,009	8,067,341	8,232,706	8,402,205	8,575,942	8,754,021	8,936,553	9,123,649	78,920,393	9,351,740
NET OPERATING INCOME			23,227,498	97,268,224	97,885,230	100,368,679	102,914,215	105,523,389	108,197,792	110,939,055	113,748,850	116,628,890	976,701,823	119,544,613
ADD: Reversion Value (Resale Value)														1,992,410,209
LESS: Marketing Cost	3.50%	of Resale Value												69,734,357
Net Reversion Value														1,922,675,852
Present Worth Factor @	8.50%	discount rate	0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		0.44229
Present Worth of Net Income			21,407,832	82,625,007	76,635,139	72,423,458	68,442,628	64,680,043	61,123,784	57,762,577	54,585,761	51,583,257	611,269,486	
Present Worth of Net Reversion Value														850,371,487
Total Present Value of Net Income				611,269,486										
Present Worth of Net Reversion Value				850,371,487										
Total				1,461,640,973										
Market Value of Property (Land, Building and its Facilities)	PhP		1,461,640,973											
Rounded to	PhP		1,461,641,000											

On the basis of the foregoing, the market value of the property (land, building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,461,641,000**.

**B. Direct Capitalization**

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.60%, the value of the property using the Direct Capitalization Method is estimated as follows:

<b>Direct Capitalization SEDA (CENTRAL BLOC HOTEL)</b>				
<b>Potential Annual Gross Revenue:</b>				
	Rooms Rental	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
	Less: Provision for vacancy and bad debts	=	Php	-
	<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>105,134,151</b>
	Less: Direct Operating Expenses			
	- Business Tax	=	Php	3,154,025
	- Administration & Management Expenses			4,606,768
	- Others	=	Php	105,134
	<b>Total Expenses</b>	=	<b>Php</b>	<b>7,865,927</b>
	<b>Net Operating Income</b>	=	<b>Php</b>	<b>97,268,224</b>
	Capitalized at 6.60%	=	<b>Php</b>	1,473,760,967
	<b>Market Value of the building</b>	=	<b>Php</b>	<b>1,473,760,967</b>
	<b>Say</b>	=	<b>Php</b>	<b>1,473,761,000</b>
<i>Note: The income and expenses are based on the second year of the projected cash flow, because the cash flow on year 1 seems not yet normalized its operation/not 100% operational.</i>				

On the basis of the foregoing, the market value of the property (land, building and its facilities), using the Income Approach (Direct Capitalization) is estimated at say, **Php1,473,761,000**.

**SUMMARY OF VALUES**

Based on the foregoing, the results of our study are as follows:

<b>Approaches to Value</b>	<b>Market Value (Php)</b>
<b>Income Approach</b>	
<i>By Discounted Cash Flow</i>	<u><b>1,461,641,000</b></u>
<i>By Direct Capitalization</i>	<u><b>1,473,761,000</b></u>



## **MARKET VALUE APPRAISAL**

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

### **Central Bloc Corporate Center Tower 1**

Located in  
**Cebu IT Park**  
**Barangay Apas, Cebu City**

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. 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 (2nd Edition, 2018), which represent accepted or best practices 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, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 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 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*

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

Subject : **CAI File No. 11-2024-1019-001A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a 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 use as of **31 December 2024**.

The appraised property is the **Central Bloc Corporate center Tower 1 (building and its facilities)**, located **at the corner of Jose Maria del Mar and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City**.

The term **Market Value**, as used herein, 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 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.

We personally inspected the property and 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;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar 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 using income approach appraised as of **02 December 2024** is reasonably presented as follows:

<b>INCOME APPROACH</b>	<b>MARKET VALUE (Php)</b>
<b>By Discounted Cash Flow</b>	<b>2,138,176,000</b>
<b>By Direct Capitalization</b>	<b>2,244,363,000</b>

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
Senior Real Estate Manager

No. 11-2024-1019-001A



***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. 11-2024-1019-001A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located at the corner of Jose Maria del Mar and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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 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 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 the 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 clients and as shown to us by the client's representative, the appraised property is the **Central Bloc Corporate Center Tower 1** located **at the corner of Jose Maria del Mar and I. Villa Streets within Cebu IT Park, Barangay Apas, Cebu City**.

The Central Bloc Corporate Center Tower 1 is built on top of the northeast corner of Ayala Mall Central Bloc. It is bounded by I. Villa Street to the northeast and Jose Maria del Mar to the southeast. It is located approximately 450 meters northeast from the intersection of Jose Maria del Mar Street and Salinas Drive; 1.8 kilometers northeast from Cebu Business Park; 6.1 kilometers northeast from Cebu City Hall; and about 12.0 kilometers northwest from Mactan – Cebu International Airport.

Jose Maria del Mar and I. Villa Streets are both 30 meters wide, concrete paved provided with concrete sidewalks, concrete curbs and gutters, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

- Ayala Malls Central Bloc
- Avida Towers Riala
- Skyrise Buildings (1 to 4)
- Calyx Center
- TGU Tower
- EBloc Towers (1 to 4)
- Park Centrale
- 38 Park Avenue
- Seda Central Bloc Cebu

Ayala Malls Central Bloc serves as the commercial and shopping center in the area. This is walking distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property by public transportation.

### **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 Cebu City as well as to the other parts of Metro Cebu is available at Cebu IT Park Transport Terminal which is approximately 130 meters from the property. 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**

No copy of the title or any ownership documents was provided to us by the client. However, as measured on Google Map, Central Bloc Corporate Center Tower 1 stands on 2,470-square meter lot.

Attached is the location plan of the property.

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.

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

### **CENTRAL BLOC CORPORATE CENTER TOWER 1**

This is a fifteen (15)-storey, reinforced concrete framed office building on top of five storey with basement parking podium which is the Ayala Malls of Central Bloc. The Central Bloc Corporate Center Tower 2 is also on top of this podium. This tower have reinforced concrete slab roof deck with parapet walls; gypsum board on metal furring and concrete slab soffit ceilings; cement plastered concrete hollow block walls with aluminum composite panel cladding on the exterior; cement plastered partly ceramic tile finish concrete hollow block partitions; glass on powder coated aluminum frame windows; tempered glass and steel doors; and ceramic and non-skid tile, epoxy paint and plain cement floor finishes.

This is painted and provided with electrical lighting, plumbing and telecommunication facilities. The total floor area is approximately 38,394 square meters.

The estimated remaining economic life of this building is 46 years.

As per client request, Central Bloc Corporate Tower 2 and Ayala Malls Central Bloc should be presented in a separate report these are under CAI File Nos. 11-2024-1019-002A and 11-2024-1019A.

## **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 the **existing mixed-use, office/commercial** 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**

### **By Income Approach**

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, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property.

The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 9.75%, using weighted average cost of capital(WACC);
3. Capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is pegged at 5% per year;
5. Capital expenditures is estimated at an average of 3% of the gross revenue;
6. Gross revenues which include rentals on office, retail and parking is estimated at Php196,160,207 on year 1 with an escalation rate 3% per year, this includes dues net and consider the vacancy rate;



7. Direct operating expenses, which include real property tax, business tax, insurance, land lease, management fees and general administrative expenses is estimated at Php46,270,493 on year 1 which is 23.59% of the total effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP) CENTRAL BLOC CORPORATE CENTER TOWER 1															
<b>STATISTICS</b>															
Gross Floor Area		38,894.00	sq.m.												
Gross Leasable Area		28,483.00	sq.m.												
Discount Rate		9.75%													
Growth Rate		3.00%													
Terminal Capitalization Rate		6.75%													
Present Worth Factor				0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>			Escalation	-3.98%	3.55%	3.68%	-3.91%	-0.54%	-4.15%	6.18%	5.00%	5.00%	5.00%		5.00%
Ave. Rental Rates			567	544	563	584	561	558	535	568	597	626	658		691
Office Spaces and Retails															
Parking Slots															
Dues Net															
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)		% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues</b>				196,160,207	204,456,271	211,816,519	205,627,432	206,199,048	200,329,958	212,814,338	223,889,823	235,536,474	247,783,544	2,144,613,615	260,661,777
<b>LESS EXPENSES:</b>		Php(000)													
Direct Operating Expenses															
- Real Property Tax				8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	80,597,255	8,059,725
- Business Tax				6,190,954	6,432,775	6,673,726	6,647,440	6,760,268	6,748,337	7,107,694	7,443,260	7,794,812	8,163,117	69,962,382	8,548,979
- Insurance				1,464,662	1,523,249	1,584,178	1,647,546	1,713,447	1,713,447	1,713,447	1,713,447	1,713,447	1,713,447	16,500,319	1,713,447
- Land Lease				12,605,069	13,050,695	13,533,975	13,026,419	12,968,300	12,453,233	13,216,461	13,874,244	14,564,795	15,289,747	134,582,937	16,050,815
- Management Fees				11,830,612	12,404,715	12,966,423	12,427,051	12,422,082	21,708,236	12,848,857	23,474,359	14,552,494	25,254,050	159,888,878	16,434,620
- Others				234,665	243,760	252,693	248,139	250,411	246,310	260,634	273,622	287,258	301,574	2,599,065	316,604
- CAPEX				5,402,172	5,593,155	5,800,275	5,582,751	5,557,843	5,337,100	5,664,197	5,946,104	6,242,055	6,552,749	57,678,402	6,878,921
<b>Total</b>				45,787,859	47,308,074	48,870,996	47,639,071	47,732,075	56,266,390	48,871,016	60,784,763	53,214,586	65,334,409	521,809,239	58,003,111
<b>NET INCOME</b>				150,372,348	157,148,196	162,945,524	157,988,360	158,466,973	144,063,569	163,943,322	163,105,061	182,321,888	182,449,135	1,622,804,376	202,658,666
<b>ADD: Reversion Value (Resale Value)</b>															3,002,350,607
<b>LESS: Marketing Cost</b>		3.50% of Resale Value													105,082,271
<b>Net Reversion Value</b>															2,897,268,336
Present Worth Factor @		9.75% discount rate		0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		0.39442
<b>Present Worth of Net Income</b>				137,013,529	130,466,900	123,261,897	108,894,759	99,521,317	82,437,914	85,479,511	77,487,421	78,921,994	71,960,889	995,446,131	
<b>Present Worth of Net Reversion Value</b>															1,142,729,479
<b>Total Present Value of Net Income</b>															995,446,131
<b>Present Worth of Net Reversion Value</b>															1,142,729,479
<b>Total</b>															2,138,175,610
<b>Market Value of Property</b>		PhP													2,138,175,610
<b>Rounded to</b>		PhP													2,138,176,000

On the basis of the foregoing, the market value of the property (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,138,176,000**.

**B. Direct Capitalization**

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.70%, the value of the property using the Direct Capitalization Method is estimated as follows:

<b>Direct Capitalization</b>				
<b>CENTRAL BLOC CORPORATE CENTER TOWER 1</b>				
<b>Potential Annual Gross Revenue:</b>				
	Office Spaces and Retails	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
	Less: Provision for vacancy and bad debts	=	Php	-
	<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>196,160,207</b>
	<b>Less: Direct Operating Expenses</b>			
	- Real Property Tax	=	Php	8,059,725
	- Business Tax			6,190,954
	- Insurance			1,464,662
	- Land Lease			12,605,069
	- Management Fees			11,830,612
	- Others			234,665
	CAPEX	=	Php	5,402,172
	<b>Total Expenses</b>	=	<b>Php</b>	<b>45,787,859</b>
	<b>Net Operating Income</b>	=	<b>Php</b>	<b>150,372,348</b>
	Capitalized at 6.70%	=	<b>Php</b>	2,244,363,400
	<b>Market Value of the building</b>	=	<b>Php</b>	<b>2,244,363,400</b>
	<b>Say</b>	=	<b>Php</b>	<b>2,244,363,000</b>

On the basis of the foregoing, the market value of the property (building only), using the Income Approach (Direct Capitalization) is estimated at say, **Php2,244,363,000**.

**SUMMARY OF VALUES**

Based on the foregoing, the results of our study are as follows:

<b>Approaches to Value</b>	<b>Market Value (Php)</b>
<b>Income Approach</b>	
<i>By Discounted Cash Flow</i>	<u><b>PHP 2,138,176,000</b></u>
<i>By Direct Capitalization</i>	<u><b>PHP 2,244,363,000</b></u>

## **MARKET VALUE APPRAISAL**

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

### **Central Bloc Corporate Center Tower 2**

Located in  
**Cebu IT Park**  
**Barangay Apas, Cebu City**

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. 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 (2nd Edition, 2018), which represent accepted or best practices 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, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 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 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

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

Subject : **CAI File No. 11-2024-1019-002A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a 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 use as of **02 December 2024**.

The appraised property is the **Central Bloc Corporate Tower 2 (building and its facilities)**, located **at the corner of W. Geonzon and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City**.

The term **Market Value**, as used herein, 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 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.

We personally inspected the property and 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;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates 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 using income approach appraised as of **02 December 2024** is reasonably presented as follows:

<b>INCOME APPROACH</b>	<b>MARKET VALUE (Php)</b>
<b><i>By Discounted Cash Flow</i></b>	<b>2,493,090,000</b>
<b><i>By Direct Capitalization</i></b>	<b>2,704,643,000</b>

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**  
PRC Registration Number: 0000407

JELM:mfm

CAI File No. 11-2024-1019-002A

***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. 11-2024-1019-002A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located at the corner of W. Geonzon and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **02 December 2024**.

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 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 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 the 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 and as shown to us by the client's representative, the appraised property is the **Central Bloc Corporate Center Tower 2** located **at the corner of W. Geonzon and I. Villa Streets within Cebu IT Park, Barangay Apas, Cebu City**.

The Central Bloc Corporate Center Tower 2 is built on top of the northwest corner of Ayala Mall Central Bloc. It is bounded by I. Villa Street to the northeast and W. Geonzon Street to the northwest. It is located approximately 450 meters northeast from the intersection of W. Geonzon Street and Salinas Drive; 1.8 kilometers northeast from Cebu Business Park; 6.1 kilometers northeast from Cebu City Hall; and about 12.0 kilometers northwest from Mactan – Cebu International Airport.

W. Geonzon and I. Villa Streets are both 30 meters wide, concrete paved provided with concrete sidewalks, concrete curbs and gutters, traffic islands, and underground drainage.



### **III. NEIGHBORHOOD DATA**

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

- Ayala Malls Central Bloc
- Avida Towers Riala
- Skyrise Buildings (1 to 4)
- Calyx Center
- TGU Tower
- EBloc Towers (1 to 4)
- Park Centrale
- 38 Park Avenue
- Seda Central Bloc Cebu
- Cebu IT Park Transport Terminal

Ayala Malls Central Bloc serves as the commercial and shopping centers in the area. This is accessible from the property by foot. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property.

### **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 Cebu City as well as to the other parts of Metro Cebu is available in the Cebu IT Park Transport Terminal, which is located across from the subject property. 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**

No copy of the title or any ownership documents was provided to us by the client. However, as measured on Google Map, Central Bloc Corporate Center Tower 1 stands on 2,400-square meter lot.

Attached is the location plan of the property.

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.

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

### **CENTRAL BLOC CORPORATE CENTER TOWER 2**

This is a twenty (20)-storey, reinforced concrete framed office building on top of five storey with basement parking podium which is the Ayala Malls of Central Bloc. The Central Bloc Corporate Center Tower 1 is also on top of this podium.

This tower reinforced concrete framed building having reinforced concrete slab roof deck with parapet wall; gypsum board on metal furring and concrete slab soffit ceilings; cement plastered concrete hollow block walls with aluminum composite panel cladding on the exterior; cement plastered partly ceramic tile finish concrete hollow block partitions; glass on powder coated aluminum frame windows; tempered glass and steel doors; and ceramic and non-skid tile, epoxy paint and plain cement floor finishes.

This is painted and provided with electrical lighting, plumbing and telecommunication facilities. Total floor area is approximately 51,669 square meters.

The estimated remaining economic life of this building is 46 years.

As per client request, Central Bloc Corporate Tower 1 and Ayala Malls Central Bloc should be presented in a separate report these are under CAI File Nos. 11-2024-1019-001A and 11-2024-1019A.

## **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 the **existing mixed-use, office/commercial** 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**

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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, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

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### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 9.75% using weighted average cost of capital(WACC);
3. Capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is pegged at 3% per year;
5. Capital expenditure is estimated at 3% of the lease income;

6. Effective gross revenues, which include rentals on office, retail and parking are estimated at Php242,721,850 on year 1 with an average escalation rate 5% per year, this includes dues net and consider the vacancy rate;
7. Direct operating expenses, which include real property tax, business tax, insurance, land lease, management fees and general administrative expenses is estimated at Php54,958,139 on year 1 which is 22.64% of the total effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP) CENTRAL BLOC CORPORATE CENTER TOWER 2													
<b>STATISTICS</b>													
Land Area:													
Central Bloc	21,658.00	sq.m.		Gross Floor Area	51,669.00	sq.m.							
Garden Row	7,013.00	sq.m.		Gross Leasable Area	38,636.00	sq.m.							
Total Land Area	28,671.00	sq.m.											
Discount Rate	9.75%												
Growth rate	3.00%												
Terminal Capitalization Rate	6.75%												
Present Worth Factor			0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442	
		Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES	Escalation	0.42%	1.76%	3.74%	0.61%	-7.97%	5.74%	4.88%	5.00%	5.00%	-10.92%		5.00%
Lease Rate (Php/sq.m./mo.)	470	472	481	499	502	462	488	512	537	564	503		528
Total Annual Gross Rental		-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues		-	-	-	-	-	-	-	-	-	-	-	-
LESS:													
Vacancy Rate (incl. bad debts)	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues		242,721,850	249,766,475	261,010,010	265,304,753	232,401,539	254,133,294	267,832,468	282,473,519	297,860,623	280,847,537	2,634,352,067	296,183,044
LESS EXPENSES:													
Operating Expenses													
Management Fees & Others		19,784,327	20,261,152	21,094,901	21,414,178	18,901,627	20,364,084	21,390,724	22,491,027	23,647,214	21,912,703	211,261,936	23,042,102
Real Property Tax		10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	103,631,756	10,363,176
Business Tax		7,719,757	7,951,420	8,279,042	8,457,750	7,837,844	8,390,195	8,785,685	9,205,614	9,645,766	9,369,696	85,642,768	9,816,409
Insurance		1,505,979	1,566,218	1,628,867	1,694,021	1,761,782	1,832,254	1,905,544	1,981,765	2,061,036	2,143,477	18,080,943	2,229,217
Land Lease		15,289,542	15,588,190	16,178,455	16,300,956	14,363,622	15,102,136	15,838,307	16,630,223	17,461,734	15,753,835	158,507,000	16,541,527
Others		295,359	302,807	315,246	320,073	285,430	308,619	323,780	339,969	356,967	337,944	3,186,195	354,842
CAPEX		6,552,661	6,680,653	6,933,624	6,986,124	6,155,838	6,472,344	6,787,846	7,127,238	7,483,600	6,751,644	67,931,571	7,089,226
Total -		61,510,800	62,713,616	64,793,309	65,536,278	59,669,319	62,832,808	65,395,060	68,139,012	71,019,493	66,632,474	648,242,169	69,436,498
NET OPERATING INCOME		181,211,050	187,052,859	196,216,701	199,768,475	172,732,220	191,300,486	202,437,407	214,334,507	226,841,130	214,215,063	1,986,109,898	226,746,547
ADD: Reversion Value (Resale Value)													3,359,208,097
LESS: Marketing Cost	3.50% of Resale Value												117,572,283
Net Reversion Value													3,241,635,814
Present Worth Factor @	9.75% discount rate	0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		0.39442
Present Worth of Net Income		165,112,574	155,294,220	148,430,238	137,692,041	108,480,258	109,468,433	105,550,201	101,825,339	98,193,116	84,489,885	1,214,536,304	
Present Worth of Net Reversion Value													1,278,553,580
Total Present Value of Net Income													
Present Worth of Net Reversion Value													
Total													
Market Value of Property (Building and its Facilities)	PhP		2,493,089,885										
Rounded to	PhP		2,493,090,000										

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php2,493,090,000.**



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ASSET VALUATION SOLUTIONS



**B. Direct Capitalization**

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.70%, the value of the property using the Direct Capitalization Method is estimated as follows:

Direct Capitalization CENTRAL BLOC CORPORATE CENTER TOWER 2				
<b>Potential Annual Gross Revenue:</b>				
	Office Spaces and Retails	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
	Less: Provision for vacancy and bad debts	=	Php	-
	<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>242,721,850</b>
	<b>Less:</b> Direct Operating Expenses			
	- Real Property Tax	=	Php	19,784,327
	- Business Tax			10,363,176
	- Insurance			7,719,757
	- Land Lease			1,505,979
	- Management Fees			15,289,542
	- Others			295,359
	CAPEX	=	Php	6,552,661
	<b>Total Expenses</b>	=	<b>Php</b>	<b>61,510,800</b>
	<b>Net Operating Income</b>	=	<b>Php</b>	<b>181,211,050</b>
	Capitalized at 6.70%	=	<b>Php</b>	2,704,642,534
	<b>Market Value of the building</b>	=	<b>Php</b>	<b>2,704,642,534</b>
	<b>Say</b>	=	<b>Php</b>	<b>2,704,643,000</b>

On the basis of the foregoing, the market value of the property (building only), using the Income Approach (Direct Capitalization) is estimated at say, **Php2,704,643,000**.

**SUMMARY OF VALUES**

Based on the foregoing, the results of our study are as follows:

Approaches to Value	Market Value (Php)
<b>Income Approach</b>	
<i>By Discounted Cash Flow</i>	<u><b>PHP 2,493,090,000</b></u>
<i>By Direct Capitalization</i>	<u><b>PHP 2,704,643,000</b></u>

## MARKET VALUE APPRAISAL

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

### **Ayala Malls Central Bloc & Garden Row**

Located in  
**Cebu IT Park**  
**Barangay Apas, Cebu City**

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. 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 (2025 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, Davao and Iloilo offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 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 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

19 February 2025

**AREIT FUND MANAGERS, INC.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

Subject : **CAI File No. 11-2024-1019A**  
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 use as of 28 November 2024.

The appraised property is the ***Ayala Malls Central Bloc and Garden Row (land, building and its facilities)***, located **within Cebu IT Park, Barangay Apas, Cebu City.**

The term ***Market Value***, as used herein, 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 arms-length transaction after proper marketing 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 or any associated taxes.

We personally inspected the property and investigated local market conditions, 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;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar 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 using income approach appraised as of **02 December 2024** is reasonably presented as follows:

<b>INCOME APPROACH</b>	<b>MARKET VALUE (Php)</b>
<b>By Discounted Cash Flow</b>	<b>4,391,478,000</b>
<b>By Direct Capitalization</b>	<b>4,427,110,000</b>

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

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

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

  
**ENGR. ANGELO V. SAN ANTONIO**  
Senior Real Estate Manager

RLL:roa

CAI File No. 11-2024-1019A

***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. 11-2024-1019A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **28 November 2024**.

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 arms-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 the 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 consists of two (2) sites both located **within Cebu IT Park, Barangay Apas, Cebu City**. The particulars are as follows.

**Site 1** is the site of the **Ayala Malls Central Bloc** bounded by W. Geonzon Street on the northwest; Inez Villa Street on the northeast; Jose Maria Del Mar Street on the southeast; and V. Padriga Street on the southwest. It is located approximately 430-meter northeast from Salinas Drive; 620-meter northwest from Gov. M. Cuenco Avenue; 1.10-kilometer northwest from Ayala Center Cebu; 5.0-kilometer northeast from Cebu City Hall; and about 14.0-kilometer northwest from Mactan – Cebu International Airport.

**Site 2** is the site of the **Ayala Malls – Garden Row** bounded by Road Lot 8 on the northwest; V. Padriga Street on the northeast; Road Lot 7 on the southeast; and Abad Street on the southwest. It is located southwest side V. Padriga Street across Site 1.

W. Geonzon, Inez Villa, Jose Maria, V. Padriga and Abad Streets are all 25 meters wide. These are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage. Road lots 7 and 8 are both 12 meters wide, concrete-paved and provided with concrete sidewalks, concrete curbs and gutters and an underground drainage.

### **III. NEIGHBORHOOD DATA**

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu  
Skyrise 1 to 3  
eBloc Towers 1 to 3  
Park Centrale  
Filinvest Cebu Cyberzone  
Calyx Centre  
TGU Tower

The Ayala Center - Cebu and SM City - Cebu, as well as the subject property, cater to the commercial and shopping needs of Metro Cebu. These are accessible from the property through taxicab, motorcycle locally known as habal-habal, and also through jeepneys or modern jeepneys at Cebu IT Park Transport Terminal which is across the property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are likewise accessible from the property by public transportation.

### **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 Cebu City as well as to other parts of Metro Cebu is available in the Cebu IT Park Transport Terminal which is across from the subject property. 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**

#### **Site 1**

The land is technically identified as Block 10 plan PSD-07-037105, containing an area of 21,658 square meters, more or less, covered by Transfer Certificate of Title No.146982, issued by the Registry of Deeds for Cebu City, in favor of the **CEBU PROPERTY VENTURES AND DEVELOPMENT CORPORATION**.

The land is bounded by the following properties:

- Northeast - I. Villa Street
- Southeast - Jose Maria del Mar Street
- Southwest - V. Padriga Street
- Northwest - W. Geonzon Street

Attached is a plan of the property as plotted based on the technical description appearing in the title furnished us by the client. As shown, the land is rectangular in shape with frontages of 147 meters on I. Villa Street, 124 meters on Jose Maria del Mar Street, 147 meters on V. Padriga Street, and 124 meters on W. Geonzon Street.

The terrain of the land is flat and at grade with fronting streets.

## **Site 2**

The land is technically identified as Block 11 plan PSD-07-037105, containing an area of 7,013 square meters, more or less, covered by Transfer Certificate of Title No. 146983, issued by the Registry of Deeds for Cebu City, in favor of the **CEBU PROPERTY VENTURES AND DEVELOPMENT CORPORATION**.

The land is bounded by the following properties:

- Northeast - V. Padriga Street
- Southeast - Road Lot 7
- Southwest - Abad Street
- Northwest - Road Lot 8

Attached is a plan of the property as plotted based on the technical description appearing in the title furnished us by the client. As shown, the land is rectangular in shape with frontages of 38 meters on V. Padriga Street, 129 meters on Road Lot 7, 38 meters on Abad Street, and 129 meters on Road Lot 8.

The terrain of the land is flat and at grade with fronting streets/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.



### **Government Assessment**

BIR Zonal Value of Real Property within Barangay Lahug, Cebu City as per Department Order No. 054-2023, effective 06 October 2023:

Street Name	Vicinity	Classification	5 <sup>th</sup> Revision Zonal Value (Php/sq.m.)
Salinas Drive	IT Park	Commercial	135,000

### **VI. DESCRIPTION OF THE BUILDINGS**

The land is improved with buildings, described as follows:

#### **Ayala Malls Central Bloc**

This is a five (5)-storey, reinforced concrete-framed building with basement parking, having reinforced concrete slab roof with water proofing membrane and partly pre-painted rib type long span iron sheet roof on steel frames; acoustic board on aluminum T-runner frame, fibered cement board, steel panel and exposed slab ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view walls; cement plastered concrete hollow blocks partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, automatic frameless glass, swing glass, steel roll-up, and steel doors; iron grill and stainless steel railings; granite tile finish floor to walls at comfort rooms; and granite tile and ceramic tile finished concrete floors.

#### **Garden Row (2 units)**

These are one (1)-storey reinforced concrete-framed buildings of pre-painted rib-type long span iron sheet roof on steel frame roof; cement plastered concrete hollow block walls and partitions; and plain cement finished concrete floors.

These buildings were painted and provided with firefighting and alarm systems, centralized air-conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical, plumbing and telecommunication facilities. Total floor area is approximately 76,179 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
Basement Parking (Portion)	10,871
Basement 1 (Portion)	3,289
Ground	12,696
Second	13,529
Third	14,332
Fourth	13,801
Fifth	<u>7,661</u>
Total - 76,179 sq.m.	

Estimated remaining economic life is 46 years.

Central Bloc Corporate Center Tower 1 and 2 are on top of this mall, however as per client request these should be presented on a separate report, these are under CAI File Nos. 11-2024-1019-001A and 002A.

## **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, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

#### **A. Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 8.50% using weighted average cost of capital(WACC);
3. Capitalization rate adopted to arrive at the terminal value is 6.0% (discount rate less growth rate);
4. Gross revenues for 2025 or Year 1 is Php78,122,556 based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided to us which we assumed that vacancy and bad debts are included;
5. Escalation rate of gross revenue is pegged at 2.50% per year;
6. Administration and Management Expenses, including leased on land is based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided; and
7. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in Php) AYALA MALLS - Central Bloc and Garden Row														
<b>STATISTICS</b>														
Land Area														
Central Bloc		21,658.00	sq.m.											
Garden Row		7,013.00	sq.m.											
Total Land Area		28,671.00	sq.m.											
Gross Leasable Area		70,956.00	sq.m.											
Vacancy Rate		-												
Discount Rate		8.50%												
Growth rate		2.50%												
Terminal Capitalization Rate		6.00%												
Present Worth Factor				0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229	
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>			Escalation		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Lease Rate (Php/sq.m./mo.)				367	367	376	386	395	405	415	426	436	447	458
Total Annual Gross Rental			-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	0.00%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues				78,122,556	312,490,224	314,443,288	322,304,370	330,361,979	338,621,029	347,086,555	355,763,718	364,657,811	373,774,257	3,137,625,787
<b>LESS EXPENSES:</b>														
Business Tax	2.00%			1,562,451	6,249,804	6,288,866	6,446,087	6,607,240	6,772,421	6,941,731	7,115,274	7,293,156	7,475,485	62,752,516
Administration & Management Expenses				6,707,652	13,738,682	13,797,274	14,033,106	14,274,835	14,522,606	14,776,572	15,036,887	15,303,710	15,577,203	137,768,526
Others				78,123	312,490	314,443	322,304	330,362	338,621	347,087	355,764	364,658	373,774	3,137,626
Total -				8,348,226	20,300,977	20,400,583	20,801,498	21,212,436	21,633,648	22,065,389	22,507,925	22,961,524	23,426,462	203,658,667
NET OPERATING INCOME				69,774,330	292,189,247	294,042,705	301,502,872	309,149,543	316,987,381	325,021,165	333,255,794	341,696,288	350,347,794	2,933,967,120
ADD: Reversion Value (Resale Value)														5,986,926,477
LESS: Marketing Cost	3.50%	of Resale Value												209,542,427
Net Reversion Value														5,777,384,050
Present Worth Factor @	8.50%	discount rate		0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229	0.44229
Present Worth of Net Income				64,308,139	248,201,701	230,208,415	217,556,719	205,598,489	194,295,859	183,613,021	173,516,110	163,973,104	154,953,720	1,836,225,276
Present Worth of Net Reversion Value														2,555,252,702
Total Present Value of Net Income					1,836,225,276									
Present Worth of Net Reversion Value					2,555,252,702									
Total					4,391,477,978									
Market Value of Property (Land, Building and its Facilities)	Php			4,391,477,978										
Rounded to	Php			4,391,478,000										

On the basis of the foregoing, the market value of the property (land, buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php4,391,478,000**.

**B. Direct Capitalization**

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.60%, the value of the property using the Direct Capitalization Method is estimated as follows:

<b>Direct Capitalization</b>				
<b>AYALA MALLS - Central Bloc and Garden Row</b>				
<b>Potential Annual Gross Revenue:</b>				
	Retails	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
	Less: Provision for vacancy and bad debts	=	Php	-
	<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>312,490,224</b>
	<b>Less: Direct Operating Expenses</b>			
	- Business Tax	=	Php	6,249,804
	- Administration and Management Expenses			13,738,682
	- Others	=	Php	312,490
	<b>Total Expenses</b>	=	<b>Php</b>	<b>20,300,977</b>
	<b>Net Operating Income</b>	=	<b>Php</b>	<b>292,189,247</b>
	Capitalized at 6.60%	=	Php	4,427,109,809
	<b>Market Value of the building</b>	=	<b>Php</b>	<b>4,427,109,809</b>
	<b>Say</b>	=	<b>Php</b>	<b>4,427,110,000</b>
<i>Note: The income and expenses are based on the second year of the projected cash flow, because the cash flow on year 1 seems not yet normalized its operation/not 100% operational.</i>				

On the basis of the foregoing, the market value of the property (building only), using the Income Approach (Direct Capitalization) is estimated at say, **Php4,427,110,000**.

**SUMMARY OF VALUES**

Based on the foregoing, the results of our study are as follows:

<b>Approaches to Value</b>	<b>Market Value (Php)</b>
<b>Income Approach</b>	
<i>By Discounted Cash Flow</i>	<u><b>4,391,478,000</b></u>
<i>By Direct Capitalization</i>	<u><b>4,427,110,000</b></u>



## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***ACCENDO COMMERCIAL CORPORATION &  
CAGAYAN DE ORO GATEWAY CORPORATION***

Located in  
**Barangay 20-B, Poblacion District  
Davao City**

19 February 2025

**ACCENDO COMMERCIAL CORPORATION &  
CAGAYAN DE ORO GATEWAY CORPORATION  
AREIT Fund Managers, Inc.**  
27<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

: **MS. MA. DIVINA Y. LOPEZ**  
Chief Finance Officer

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **ACCENDO COMMERCIAL CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION 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, Iloilo, and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 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 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

19 February 2025

**ACCENDO COMMERCIAL CORPORATION &  
CAGAYAN DE ORO GATEWAY CORPORATION  
AREIT Fund Managers, Inc.**  
27<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

: **MS. MA. DIVINA Y. LOPEZ**  
Chief Finance Officer

Subject : **CAI File No. 11-2024-1020A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain property exhibited to us by the **ACCENDO COMMERCIAL CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION AREIT Fund Managers, Inc.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **25 November 2024**.

The appraised property consists of ***Abreeza Mall and Abreeza Corporate Center Building***, located **along J.P. Laurel Avenue, within Barangay 20-B, Poblacion District, both in Davao City**.

The term ***Market Value***, as used herein, 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 wherein 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.

We personally inspected the property, 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;

Capitalization rate;

Extent, character and utility of the property;

Lease / Rent rates for similar 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 **25 November 2024** is reasonably presented as under:

	Market Value (Php)	
	Discounted Cash Flow	Direct Capitalization
<b><i>Abreeza Mall</i></b>	<b><i>3,909,559,000</i></b>	<b><i>3,941,734,000</i></b>
<b><i>Abreeza Corporate Center</i></b>	<b><i>679,726,000</i></b>	<b><i>728,424,000</i></b>

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 on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

OVT:mfm

**CAI File No. 11-2024-1020A**



***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. 11-2024-1020A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain property located within Barangay 20-B Poblacion District, Davao City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **28 November 2024**.

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 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 the 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 previous appraisal report under CAI File No. 02-2023-189A, the appraised property is the site of **Abreeza Mall and Abreeza Corporate Center**, it is located **on the southwest side of J.P. Laurel Avenue, within Barangay 20-B, Poblacion District, Davao City**.

The property is located approximately 180 meters northeast from Bacaca Road; 500 meters northwest from Victoria Plaza; 600 meters southwest from Dacudao-Buhangin Flyover; and about 1.4 kilometers northwest from Gaisano Mall.

J.P. Laurel Avenue is 25 meters wide, concrete-paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is of mixed-use, specifically residential, institutional, and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters, and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Redemptorist Church  
EMCOR  
Aeon Towers  
Insperia Davao Condominium  
Davao Chinese Baptist Church  
Shell Service Station  
Victoria Plaza  
Durian Hotel

The subject property, Victoria Plaza, Gaisano Mall, and SM Lanang Premier serve as the commercial and shopping centers of the residents in the area. These are all accessible from J.P. Laurel Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, 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 property.

Public transportation connecting to various sections of Davao City is available along J.P. Laurel Avenue where the subject property fronts. Road lights, 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**

The land consists of eight (8) contiguous lots, containing a total area of 72,922 square meters, technically identified as follows:

<b>Lot/Survey Nos.</b>	<b>TCT Nos.</b>	<b>Area (sq.m.)</b>
8-A, PSD-11-151808	146-2021016830	157
8-B, PSD-11-151808	146-2021016831	1,451
8-C, PSD-11-151808	146-2021016832	38,617
8-D, PSD-11-151808	146-2021016833	2,117
8-E, PSD-11-151808	146-2021016834	9,672
8-F, PSD-11-151808	146-2021016835	1,229
8-G, PSD-11-151808	146-2021016836	18,452
*519-A-2-A-2-A, PSD-11-019681 (National Road)	T-446455	<u>1,227</u>
		<b>Total - 72,922 sq.m.</b>

\*Road Lot

The above certificates of title were all issued by the Registry of Deeds for Davao City in favor of the **ACCENDO COMMERCIAL CORPORATION**.

The land, in its entirety, is bounded by the following properties:

- Northeast - Lot 521-1-C
- Southeast - Lots 499, 521-A-3 and 521-B-3
- Northwest - JP Laurel Avenue and 519-A-2-A-3 and 519

Attached is a plan of the property as plotted based on the technical descriptions appearing in the titles furnished to us by the client. As shown, the lands are irregular in shape with a frontage of 267 meters on J.P. Laurel Avenue.

The terrain of the land is flat. Its elevation is uniform and slightly above the grade with the fronting avenue.

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.

### ***Government Assessment***

BIR Zonal Value of Real Property within Barangay 20-B, Poblacion District, Davao City as per Department Order No. 33-2021, effective 22 December 2021:

Street Name	Vicinity	Classification	3 <sup>rd</sup> Revision Zonal Value (Php/sq.m.)
J.P. Laurel Avenue	Lacson Street - Dacudao Avenue	Commercial Regular	44,500
Abreeza Place		Residential Regular	105,500
		Condominium Commercial	126,600

## ***VI. DESCRIPTION OF IMPROVEMENTS***

The land is improved with buildings and other land improvements described as follows:

### **Abreeza Mall – Davao**

This is a three (3)-storey reinforced concrete-framed building with basement, having pre-painted rib type long span metal sheet roof on steel trusses and frame roof; acoustic board on aluminum T-runner frame, suspended acoustic board on t-runner; fiber cement board, gypsum board on metal frame exposed concrete slab and colored T&G pvc panel ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view partly with laminate wood and ceramic tile and aluminum composite panel cladding walls; cement plastered concrete hollow blocks and double walled plywood partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, automatic frameless glass, swing glass, steel roll-up, plain steel flush and steel doors; and ceramic tile and plain cement with epoxy paint finished and carpeted floor at office concrete floors.

The building features retail shops of having concrete slab floor, fibered cement board on metal furring acoustic board on T-runner ceilings; cement plastered concrete hollow block on walls and partitions; clear glass on powder coated aluminum frame windows; swing glass, wood panel and glass on aluminum frame doors; ceramic tiles and epoxy paint finished concrete floors; and granite tile wall to floor at comfort rooms.

The building is painted and provided with firefighting and alarm system, centralized air conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical lighting, plumbing and telecommunication facilities. Total floor area is approximately 84,662 square meters, allocated as follows:

<b>Floor Level</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Leasable Floor Area (sq.m.)</b>
Basement	26,613	-
Ground	23,780	15,858
Second	18,638	11,674
Third	<u>15,631</u>	<u>7,239</u>
<b>Total -</b>	<b>84,662</b>	<b>34,771</b>

The estimated remaining economic life is 37 years.

#### **Abreeza Corporate Center Building**

This is a lofty seven (7)-storey reinforced concrete-framed building, having a concrete slab roof; fiber cement with decorative wood design, soffit slab and acoustic board on T-runner ceilings; cement plastered concrete hollow block with ceramic tile cladding design interior walls; cement plastered concrete hollow block and modular partition on metal stud at office partitions; glass on aluminum frame and glass on powder coated aluminum frame windows; glass on aluminum frame and plain steel flush doors; and ceramic tile, granite tile and epoxy painted finished floors.

The building features offices and BPOs having concrete slab floor, fibered cement board on metal furring acoustic board on T-runner ceilings; cement plastered concrete hollow block on walls and partitions; clear glass on powder coated aluminum frame windows; swing glass, wood panel and glass on aluminum frame doors; ceramic tiles finished concrete floors; and granite tile wall to floor at comfort rooms.



The building is painted and provided with a firefighting and alarm system, centralized air conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical lighting, plumbing, and telecommunication facilities. The total floor area is approximately 16,484 square meters, allocated as follows:

<b>Floor Level</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Leasable Floor Area (sq.m.)</b>
Ground	1,875	936
Second	2,902	1,279
Third	2,902	1,626
Fourth	2,902	1,928
Fifth	2,792	2,480
Sixth	2,792	2,480
Seventh	<u>2,792</u>	<u>2,283</u>
<b>Total -</b>	<b>18,956</b>	<b>13,013</b>

The estimated remaining economic life is 37 years.

**STP Room** - This is a one (1)-storey concrete-framed building, having concrete slab roof; cement plastered concrete hollow block walls; fiber cement board with screen wire partitions; plywood flush and plain steel doors; and concrete floor.

This is painted and provided with electrical lighting facility. Floor area is approximately 84 square meters.

Estimated remaining economic life is 22 years.

**Covered Walkway (attached to Mall)** - This is an open-walled structure of I-beam steel frame having rib-type sheet on steel frame roof; and unglazed tile floor.

The floor area is approximately 1,805 square meters.

The estimated remaining economic life is 22 years.

**Covered Walkway (to Highway)** - This is an open-walled structure of I-beam steel frame having rib-type partly fiber glass sheet on steel frame roof; and unglazed tile floor.

The floor area is approximately 376 square meters.

The estimated remaining economic life is 22 years.

### ***Other Land Improvements***

**STP** - This is a 3-meter-high cement plastered concrete hollow block structure from roof, wall to floor having capacity of 175,000 gallons.

**DRIVEWAY/LANDSCAPE** - Driveway is a concrete pavement on a compacted earth base floor provided with underground drainage system servicing the entire Abreeza Mall landscape consists of Bermuda grass and ornamental plants, with lamp posts and concrete pathways with circular shaped fountains located near the highway containing an approximate area of 19,800 square meters.

### ***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, mortgage-equity capitalization, and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

#### **A. Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

##### ***Abreeza Mall***

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 8.50%;
3. The capitalization rate adopted to arrive at the terminal value is 6.00%;
4. Escalation rate of gross revenue is pegged at 2.50% per year;
5. No allocated expense for capital expenditures based on the provided P&L projection provided to us, the Capex is zero;
6. Gross revenue is estimated at Php75,096,684 in year 1 with an escalation rate of 2.50% per year. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses is estimated at Php12,972,220 on year 1 which is 17% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in PhP) ABREEZA MALL															
<b>STATISTICS</b>															
Gross Leasable Area		34,771.00	sq.m.												
Discount Rate		8.50%													
Growth Rate		2.50%													
Terminal Capitalization Rate		6.00%													
Present Worth Factor				0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>			Escalation		0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		2.5%
Lease Rate				370	370	379	389	398	408	419	429	440	451		462
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)															
<b>Effective Gross Revenues</b>				75,096,684	300,386,735	302,264,152	309,820,756	317,566,275	325,505,431	333,643,067	341,984,144	350,533,748	359,297,091	3,016,098,082	368,216,317
<b>LESS EXPENSES:</b>															
Business Tax	3.00%			2,252,901	9,011,602	9,067,925	9,294,623	9,526,988	9,765,163	10,009,292	10,259,524	10,516,012	10,778,913	90,482,942	11,048,386
Land lease				4,505,801	18,023,204	18,135,849	18,589,245	19,053,976	19,530,326	20,018,584	20,519,049	21,032,025	21,557,825	180,965,885	22,096,771
Administration & Management Expenses				6,138,421	12,897,123	12,953,445	13,180,144	13,412,509	13,650,684	13,894,813	14,145,045	14,401,533	14,664,434	129,338,152	14,933,906
Others				75,097	300,387	302,264	309,821	317,566	325,505	333,643	341,984	350,534	359,297	3,016,098	368,280
<b>Total -</b>				12,972,220	40,232,316	40,459,483	41,373,832	42,311,040	43,271,678	44,256,332	45,265,602	46,300,104	47,360,469	403,803,077	48,447,343
<b>NET OPERATING INCOME</b>				62,124,464	260,154,419	261,804,669	268,446,923	275,255,234	282,233,753	289,386,735	296,718,542	304,233,643	311,936,622	2,612,295,005	319,768,974
<b>ADD: Reversion Value (Resale Value)</b>															5,329,482,904
<b>LESS: Marketing Cost</b>	3.50% of Resale Value														186,531,902
<b>Net Reversion Value</b>															5,142,951,002
Present Worth Factor @	8.50% discount rate			0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		0.44229
<b>Present Worth of Net Income</b>				57,257,571	220,989,547	204,968,995	193,704,397	183,057,234	172,993,793	163,482,192	154,492,279	145,995,542	137,965,018	1,634,906,568	
<b>Present Worth of Net Reversion Value</b>															2,274,652,218
<b>Total Present Value of Net Income</b>					1,634,906,568										
<b>Present Worth of Net Reversion Value</b>					2,274,652,218										
<b>Total</b>					3,909,558,786										
<b>Market Value of Property (Land, Building and its Facilities)</b>	PhP			3,909,558,786											
<b>Rounded to</b>	PhP			3,909,559,000											

***Abreeza Corporate Center***

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 9.75%;
3. The capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is pegged at 3.00% per year;
5. Capital Expenditures is estimated at 5% of the lease income;
6. Gross revenue is estimated at Php72,603,915 in year 1. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses are estimated at Php20,736,185 on year 1 which is 28.6% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of the resale value.



Discounted Cash Flow Analysis (in PhP) ABREEZA CORPORATE CENTER															
STATISTICS															
Gross Leasable Area		13,013.00	sq.m.												
Discount Rate		9.75%													
Growth Rate		3.00%													
Terminal Capitalization Rate		6.75%													
Present Worth Factor				0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		
			Year	1	2	3	4	5	6	7	8	9	10	Totals	11
GROSS REVENUES			Escalation		1.3%	3.5%	-4.2%	1.2%	2.8%	3.4%	3.3%	6.5%	3.3%		3.0%
Lease Rate															
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-	-
LESS:															
Vacancy Rate (incl. bad debts)															
Effective Gross Revenues				72,603,915	73,583,053	76,174,305	72,955,411	73,811,110	75,857,051	78,423,350	80,983,971	86,219,503	89,038,955	779,650,625	91,977,006
LESS EXPENSES:															
Management Fees -ALI	3.00%			6,106,261	6,330,256	6,502,017	6,215,021	6,288,803	7,273,991	7,428,220	7,577,928	7,966,016	8,130,555		8,301,192
RPT	6.00%			5,893,218	6,070,015	6,252,115	6,439,679	6,632,869	6,632,869	6,632,869	6,632,869	6,632,869	6,632,869		6,632,869
Business tax, 3%				2,765,926	2,796,653	2,871,787	2,772,988	2,800,490	2,877,543	2,965,294	3,051,301	3,258,152	3,352,809		3,451,175
Land Lease, 9%				5,514,006	5,466,999	5,549,004	5,099,290	5,168,530	5,242,576	5,336,328	5,416,372	5,850,047	5,937,798		6,026,865
Insurance				447,554	460,981	474,811	489,055	503,726	518,838	534,403	550,436	566,949	583,957		601,476
Others				9,220	9,322	9,573	9,243	9,335	9,592	9,884	10,171	10,861	11,176		11,504
Total -				20,736,185	21,134,226	21,659,307	21,025,276	21,403,754	22,555,409	22,906,999	23,239,078	24,284,893	24,649,164	223,594,291	25,025,081
Capital Expenditures				3,063,337	3,037,222	3,082,780	2,832,939	2,871,406	2,912,542	2,964,626	3,009,096	3,250,026	3,298,777		3,348,258
Total -				23,799,522	24,171,448	24,742,088	23,858,215	24,275,159	25,467,951	25,871,625	26,248,173	27,534,919	27,947,940	253,917,041	28,373,339
NET OPERATING INCOME				48,804,393	49,411,605	51,432,217	49,097,196	49,535,951	50,389,100	52,551,725	54,735,798	58,684,584	61,091,014	525,733,584	63,603,667
ADD: Reversion Value (Resale Value)															942,276,546
LESS: Marketing Cost	3.50% of Resale Value														32,979,679
Net Reversion Value															909,296,867
Present Worth Factor @	9.75% discount rate			0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		0.39442
Present Worth of Net Income				44,468,695	41,022,290	38,906,455	33,840,641	31,109,846	28,834,301	27,400,297	26,003,704	25,402,898	24,095,284	321,084,412	
Present Worth of Net Reversion Value															358,641,387
Total Present Value of Net Income															321,084,412
Present Worth of Net Reversion Value															358,641,387
Total															679,725,799
Market Value of Property (Land, Building and its Facilities)	PhP			679,725,799											
Rounded to	PhP			679,726,000											

On the basis of the foregoing, the market value of the property (buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount as follows:

	<b>Market Value (Php)</b>
<b><i>Abreeza Mall</i></b>	<b><u>Php3,909,559,000</u></b>
<b><i>Abreeza Corporate Center</i></b>	<b><u>Php679,726,000</u></b>

#### **B. Direct Capitalization**

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting the capitalization rates of 6.60 (mall) and 6.70% (corporate center), the value of the property using the Direct Capitalization Method is estimated as follows:

#### ***Abreeza Mall***

##### **Potential Annual Gross Revenue:**

Lease Rates	=	Php	-
Less: Provision for vacancy and bad debts	=	Php	-
<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>300,386,735</b>
Less: Direct Operating Expenses			
Business Tax	=	Php	9,011,602
Land lease			18,023,204
Administration & Management Expenses			12,897,123
Others			300,387
<b>Total Expenses</b>	=	<b>Php</b>	<b><u>40,232,316</u></b>
<b>Net Operating Income</b>	=	<b>Php</b>	<b>260,154,419</b>
Capitalized at 6.60%	=	<b>Php</b>	<b>3,941,733,621</b>
<b>Market Value of the building</b>	=	<b>Php</b>	<b><u>3,941,733,621</u></b>
<b>Say</b>	=	<b>Php</b>	<b><u>3,941,734,000</u></b>

*Note: The income and expenses are based on the second year of the projected cash flow*

**Abreeza Corporate Center****Potential Annual Gross Revenue:**

Lease Rates	=	Php	-
Less: Provision for vacancy and bad debts	=	Php	-
<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>72,603,915</b>
Less: Direct Operating Expenses			
Management Fees -ALI	=	Php	6,106,261
RPT			5,893,218
Business tax			2,765,926
Land Lease			5,514,006
Insurance			447,554
Others			9,220
Capital Expenditures			3,063,337
<b>Total Expenses</b>	=	<b>Php</b>	<b><u>23,799,522</u></b>
<b>Net Operating Income</b>	=	<b>Php</b>	<b>48,804,393</b>
Capitalized at 6.70%	=	<b>Php</b>	728,423,778
<b>Market Value of the building</b>	=	<b>Php</b>	<b><u>728,423,778</u></b>
<b>Say</b>	=	<b>Php</b>	<b><u>728,424,000</u></b>

On the basis of the foregoing, the market value of the property (building and its facilities), using the Income Approach (Direct Capitalization) is represented in the amount as follows:

	<b>Market Value (Php)</b>
<b>Abreeza Mall</b>	<b><u>Php3,941,734,000</u></b>
<b>Abreeza Corporate Center</b>	<b><u>Php728,424,000</u></b>

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***ACCENDO COMMERCIAL CORPORATION &  
CAGAYAN DE ORO GATEWAY CORPORATION  
AREIT Fund Managers, Inc.***

**(Centrio Mall and Centrio BPO Building)**

Located in  
**Barangay 24  
Cagayan De Oro City**

19 February 2025

**ACCENDO COMMERCIAL CORPORATION &  
CAGAYAN DE ORO GATEWAY CORPORATION  
AREIT Fund Managers, Inc.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

: **MS. MA. DIVINA Y. LOPEZ**  
Chief Finance Officer

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **CAGAYAN DE ORO GATEWAY CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION**, 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, Iloilo, and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 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 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



19 February 2025

**ACCENDO COMMERCIAL CORPORATION &  
CAGAYAN DE ORO GATEWAY CORPORATION  
AREIT Fund Managers, Inc.**

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

Attention : **MR. TOMAS JULIAN R. SANTOS**  
President and CEO

: **MS. MA. DIVINA Y. LOPEZ**  
Chief Finance Officer

Subject : **CAI File No. 11-2024-1020-001A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **CAGAYAN DE ORO GATEWAY CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION AREIT Fund Managers, Inc.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **27 November 2024**.

The appraised property is the **Centrio Mall (buildings and its facilities)**, located within Barangay 24, Cagayan De Oro City.

The term **Market Value**, as used herein, 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 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.

We personally inspected the property, investigated local market conditions, 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;

Capitalization rate;

Extent, character, and utility of the property;

Lease / Rent rates for similar 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 **27 November 2024** is reasonably represented as under:

	Market Value (Php)	
	Discounted Cash Flow	Direct Capitalization
<b>Centrio Mall</b>	<b>4,896,593,000</b>	<b>4,936,323,000</b>
<b>Centrio BPO Building</b>	<b>638,229,000</b>	<b>563,035,000</b>

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

OVT:mfm

**CAI File No. 11-2024-1020-001A**

***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. 11-2024-1020-001A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain property located within Barangay 24, Cagayan De Oro City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **27 November 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the 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 the 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 previous appraisal report under CAI File No. 02-2023-0037A, the appraised property is the site of **Centrio Mall, bounded on the northeast by C.M. Recto Avenue; on the southeast by Captain Vicente Roa Street; and on the northwest by Corrales Avenue, within Barangay 24, Cagayan De Oro City.**

The property is located across Gaisano Mall, approximately 260 meters southeast from A. Velez Street; 290 meters northwest from SM CDO Downtown Premier; 850 meters northeast from J. Borje Street; 980 meters northwest from Limketkai Center; and about 1.5 kilometers northeast from Cagayan De Oro City Hall.

C.M. Recto Avenue is 25 meters wide; Corrales Avenue is 15 meters wide, and Captain Vicente Road Street is 10 meters wide. All are concrete paved and provided with underground drainage.

### **III. NEIGHBORHOOD DATA**

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

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Gaisano Mall  
 SM CDO Downtown Premier  
 Northern Mindanao Medical Center  
 Provincial Health Office  
 Department of Trade and Industry  
 Cagayan De Oro Water District  
 Jesus Nazareno Parish Church  
 Red Planet Hotel

The subject property, Gaisano Mall, SM CDO Downtown Premier and Limketkai Mall serve as the commercial and shopping center of the residents in the area. These are all accessible from C.M. Recto Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and public schools are likewise accessible from the said thoroughfare.

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

Electric power, water supply and telecommunication facilities are available on the subject property.

Public transportation connecting to various sections of Cagayan De Oro City and its neighboring cities and municipalities is available along C.M. Recto Avenue where the subject property fronts. Road lights, 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**

The land consists of five (5) contiguous lots, containing a total area of 32,703 square meters, technically identified as follows:

<b>Lot/Survey Nos.</b>	<b>TCT Nos.</b>	<b>Area (sq.m.)</b>
694-A-1-A/PSD-426166	137-2012002341	14,814
694-B-1/PSD-10-004148	137-2011002700	9,903
847-B-2/PSD-10-059794	137-2011002697	3,978
847-A-2-B/PSD-10-059813	137-2011002698	1,106
693	137-2011002696	<u>2,902</u>
		<b>Total - 32,703 sq.m.</b>

The above certificates of title were all issued by the Registry of Deeds for Cagayan De Oro City in favor of the **CAGAYAN DE ORO GATEWAY CORPORATION.**

The land, in its entirety, is bounded by the following properties:

Northeast	-	C.M. Recto Avenue
Southeast	-	Captain Vicente Road Street
Southwest	-	Lots 694-A-1-B, 690 and 692
Northwest	-	Corrales Avenue

Attached is a plan of the property as plotted based on the technical descriptions appearing in the titles furnished to us by the client. As shown, the land is irregular in shape with frontages of 167.54 meters on C.M. Recto Avenue, 255.41 meters on Corrales Avenue, and 185.07 meters on Captain Vicente Roa Street.

The terrain of the land is flat. Its elevation is uniform and at grade with the fronting street and avenues.

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.

#### **Government Assessment**

BIR Zonal Value of Real Property within Barangay 24, Cagayan De Oro City as per Department Order No. 032-2023, effective 20 July 2023:

Street Names	Classification	4 <sup>th</sup> Revision Zonal Value (Php/sq.m.)
Corrales Avenue	Commercial Regular	61,300
C.M. Recto Avenue	Commercial Regular	58,900
Captain V. Roa Street	Commercial Regular	55,100

#### **VI. DESCRIPTION OF THE BUILDINGS**

The land is improved with buildings described as under:

##### **Centro Mall/BPO Building**

This is a lofty seven (7)-storey with basement, reinforced concrete-framed building, having pre-painted rib type long span iron sheet roof on steel trusses and frame and concrete slab partly with ACI insulation roofing; acoustic board on aluminum T-runner frame, suspended acoustic board on T-runner; fiber cement board, gypsum board on metal frame exposed concrete slab and colored T&G PVC panel ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view partly with laminate wood and ceramic tile and aluminum composite panel cladding walls; cement



plastered concrete hollow blocks and double walled plywood partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, glass on aluminum frame, swing glass, steel roll-up, plain steel flush, and steel doors; and ceramic tile, pebble washout, plain cement with epoxy paint finished and carpeted floor at office concrete floors.

The building features retail shops of having concrete slab floor, fiber cement board on metal furring acoustic board on T-runner ceilings; cement plastered concrete hollow block on walls and partitions; clear glass on powder coated aluminum frame windows; swing glass, wood panel and glass on aluminum frame doors; ceramic tiles and epoxy paint finished concrete floors; and granite tile wall to floor at comfort rooms.

The building is painted and provided with firefighting and alarm system, centralized air conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical lighting, plumbing, and telecommunication facilities.

The total floor area is approximately 75,842 square meters, allocated as follows:

<b>Floor Levels</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Leasable Floor Area (sq.m.)</b>
Basement	10,126	
Ground	19,388	15,138
Second	18,141	14,605
Third	17,435	12,321
Fourth	2,648	2,131
Fifth	2,686	2,375
Sixth	2,709	2,399
Seventh	<u>2,709</u>	<u>2,399</u>
<b>Total -</b>	<b>75,842 sq.m.</b>	<b>51,368 sq.m.</b>

The estimated remaining economic life is 35 years.

#### **Covered Walkway (along C.M. Recto Avenue)**

This is an open-walled structure of steel tubular frame bolted on reinforced concrete footing having rib-type sheet partly fiber glass on steel frame roof, and ceramic tile floor.

The floor area is approximately 158 square meters.

The estimated remaining economic life is 20 years.

#### **Covered Walkway (along Corrales Avenue)**

This is an open walled structure of steel tubular frame having rib-type partly fiber glass sheet on steel frame roof, and ceramic tile floor.

The floor area is approximately 105 square meters.

The estimated remaining economic life is 20 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, mortgage-equity capitalization, and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **A. Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

#### ***Centrio Mall***

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 8.5%.
3. The capitalization rate adopted to arrive at the terminal value is 6.0%;
4. Escalation rate of gross revenue is pegged at 2.50% per year;
5. No allocated expense for capital expenditures based on the provided P&L projection provided to us, the Capex is zero;
6. Gross revenue is estimated at Php92,987,420 in year 1 with an escalation rate of 2.50% per year. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses is estimated at Php15,187,530 on year 1 which is 16% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in PhP) CENTRIO MALL														
STATISTICS														
Discount Rate		8.50%												
Growth Rate		2.50%												
Terminal Capitalization Rate		6.00%												
Present Worth Factor			0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES		Escalation		0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Lease Rate			487	487	499	512	524	538	551	565	579	593	608	
Total Annual Gross Rental			-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues			-	-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)														
Effective Gross Revenues			92,987,420	371,949,678	374,274,364	383,631,223	393,222,004	403,052,554	413,128,868	423,457,089	434,043,517	444,894,604	3,734,641,320	456,016,970
LESS EXPENSES:														
Business Tax	3.00%		1,859,748	7,438,994	7,485,487	7,672,624	7,864,440	8,061,051	8,262,577	8,469,142	8,680,870	8,897,892	74,692,826	9,120,339
Land lease			5,579,245	22,316,981	22,456,462	23,017,873	23,593,320	24,183,153	24,787,732	25,407,425	26,042,611	26,693,676	224,078,479	27,361,018
Administration & Management Expenses			7,655,549	16,024,417	16,094,158	16,374,864	16,662,587	16,957,503	17,259,793	17,569,640	17,887,232	18,212,765	160,698,508	18,546,436
Others			92,987	371,950	374,274	383,631	393,222	403,053	413,129	423,457	434,044	444,895	3,734,641	456,017
Total -			15,187,530	46,152,341	46,410,381	47,448,993	48,513,569	49,604,760	50,723,231	51,869,664	53,044,757	54,249,228	463,204,455	55,483,810
NET OPERATING INCOME			77,799,889	325,797,337	327,863,983	336,182,230	344,708,434	353,447,793	362,405,636	371,587,426	380,998,759	390,645,376	3,271,436,865	400,533,159
ADD: Reversion Value (Resale Value)														6,675,552,651
LESS: Marketing Cost	3.50% of Resale Value													233,644,343
Net Reversion Value														6,441,908,308
Present Worth Factor @	8.50% discount rate		0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		0.44229
Present Worth of Net Income			71,704,967	276,750,271	256,687,367	242,580,452	229,246,767	216,644,090	204,732,494	193,474,220	182,833,561	172,776,752	2,047,430,940	
Present Worth of Net Reversion Value														2,849,162,090
Total Present Value of Net Income				2,047,430,940										
Present Worth of Net Reversion Value				2,849,162,090										
Total				4,896,593,030										
Market Value of Property (Land, Building and its Facilities)	PhP		4,896,593,030											
Rounded to	PhP		4,896,593,000											

***Centrio BPO Building***

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 9.75%;
3. The capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is estimated at 3% per year;
5. Capital Expenditures is estimated at 5% of effective gross revenue;
6. Gross revenue is estimated at Php62,837,148 in year 1. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses is estimated at Php16,206,508 on year 1 which is 25.6% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in PhP) CENTRIO BPO BUILDING														
<b>STATISTICS</b>														
Gross Leasable Area		9,053.00	sq.m.											
Discount Rate		9.75%												
Growth Rate		3.00%												
Terminal Capitalization Rate		6.75%												
Present Worth Factor				0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442	
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>		Escalation			2.50%	5.00%	5.00%	5.00%	-15.72%	1.50%	3.00%	3.00%	3.00%	
Lease Income-Office				59,418,139	60,903,592	63,948,772	67,146,210	70,503,521	59,418,139	60,309,411	62,118,693	63,982,254	65,901,722	67,878,773
PAS Adjustment				3,419,010										
Dues - Net				6,542,119	5,245,733	5,685,720	6,154,882	6,654,967	9,806,606	9,674,707	10,965,784	12,331,632	13,776,074	17,267,124
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)														
<b>Effective Gross Revenues</b>				56,295,030	66,149,325	69,634,492	73,301,092	77,158,488	69,224,744	69,984,117	73,084,477	76,313,886	79,677,796	85,145,897
<b>LESS EXPENSES:</b>														
Management Fees	3.00%			3,030,518	4,875,064	4,939,093	5,003,924	5,069,560	4,874,444	4,941,523	5,009,551	5,078,540	5,148,503	4,861,958
RPT	6.00%			5,163,150	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567
Business Tax				1,614,226	2,645,973	2,785,380	2,932,044	3,086,340	2,768,990	2,799,365	2,923,379	3,052,555	3,187,112	3,405,836
Insurance				519,752	540,542	562,164	584,650	608,036	608,036	608,036	608,036	608,036	608,036	608,036
Land Lease, 9%				5,347,632	5,481,323	5,755,389	6,043,159	6,345,317	5,347,632	5,427,847	5,590,682	5,758,403	5,931,155	6,109,090
Others				81,662	83,665	85,737	87,882	90,101	87,807	88,698	91,022	93,431	95,928	93,925
<b>Total -</b>				15,756,940	18,591,134	19,092,330	19,616,225	20,163,921	18,651,476	18,830,036	19,187,238	19,555,533	19,935,301	20,043,412
Capital Expenditures				2,814,751	3,307,466	3,481,725	3,665,055	3,857,924	3,461,237	3,499,206	3,654,224	3,815,694	3,983,890	4,257,295
<b>Total -</b>				18,571,691	21,898,600	22,574,055	23,281,280	24,021,845	22,112,714	22,329,242	22,841,462	23,371,227	23,919,190	24,300,706
<b>NET OPERATING INCOME</b>				37,723,338	44,250,725	47,060,437	50,019,812	53,136,642	47,112,031	47,654,876	50,243,015	52,942,659	55,758,605	60,845,190
<b>ADD: Reversion Value (Resale Value)</b>														901,410,228
<b>LESS: Marketing Cost</b>	3.50%	of Resale Value												31,549,358
<b>Net Reversion Value</b>														869,860,870
Present Worth Factor @	9.75%	discount rate		0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442	0.39442
<b>Present Worth of Net Income</b>				34,372,062	36,737,647	35,599,374	34,476,561	33,371,172	26,959,054	24,847,096	23,869,288	22,917,381	21,992,096	295,141,732
<b>Present Worth of Net Reversion Value</b>														343,087,192
<b>Total Present Value of Net Income</b>					295,141,732									
<b>Present Worth of Net Reversion Value</b>					343,087,192									
<b>Total</b>					638,228,925									
<b>Market Value of Property (Land, Building and its Facilities)</b>	PhP			638,228,925										
<b>Rounded to</b>	PhP			638,229,000										



On the basis of the foregoing, the market value of the property (buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount as follows:

	<b>Market Value (Php)</b>
<b><i>Centrio Mall</i></b>	<b><u><i>Php4,896,593,000</i></u></b>
<b><i>Centrio BPO Building</i></b>	<b><u><i>Php638,229,000</i></u></b>

#### **B. Direct Capitalization**

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting the capitalization rates of 6.60 (mall) and 6.70% (bpo building), the value of the property using the Direct Capitalization Method is estimated as follows:

#### ***Centrio Mall***

##### **Potential Annual Gross Revenue:**

Lease Rates	=	Php	-
Less: Provision for vacancy and bad debts	=	Php	-
<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>371,949,678</b>
Less: Direct Operating Expenses			
Business Tax	=	Php	7,438,994
Land lease			22,316,981
Administration & Management Expenses			16,024,417
Others			371,950
<b>Total Expenses</b>	=	<b>Php</b>	<b><u>46,152,341</u></b>
<b>Net Operating Income</b>	=	<b>Php</b>	<b>325,797,337</b>
Capitalized at 6.60%	=	<b>Php</b>	<b>4,936,323,293</b>
<b>Market Value of the building</b>	=	<b>Php</b>	<b><u>4,936,323,293</u></b>
<b>Say</b>	=	<b>Php</b>	<b><u>4,936,323,000</u></b>

*Note: The income and expenses are based on the second year of the projected cash flow.*

**Centrio BPO Building****Potential Annual Gross Revenue:**

Lease Rates	=	Php	-
Less: Provision for vacancy and bad debts	=	Php	-
<b>Effective Gross Revenue</b>	=	<b>Php</b>	<b>56,295,030</b>
Less: Direct Operating Expenses			
Management Fees -ALI	=	Php	3,030,518
RPT			5,163,150
Business tax			1,614,226
Land Lease			519,752
Insurance			5,347,632
Others			81,662
Capital Expenditures			2,814,751
<b>Total Expenses</b>	=	<b>Php</b>	<b><u>18,571,691</u></b>
<b>Net Operating Income</b>	=	<b>Php</b>	<b><u>37,723,338</u></b>
Capitalized at 6.70%	=	<b>Php</b>	563,034,900
<b>Market Value of the building</b>	=	<b>Php</b>	<b><u>563,034,900</u></b>
<b>Say</b>	=	<b>Php</b>	<b><u>563,035,000</u></b>

On the basis of the foregoing, the market value of the property (building and its facilities), using the Income Approach (Direct Capitalization) is represented in the amount as follows:

	<b>Market Value (Php)</b>
<b>Centrio Mall</b>	<b><u>Php4,936,323,000</u></b>
<b>Centrio BPO Building</b>	<b><u>Php563,035,000</u></b>



February 19, 2025

## 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 financial statements including the schedules attached therein for the years ended December 31, 2024, 2023 and 2022 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 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards of Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**ANNA MA. MARGARITA B. DY**  
Chairman, Board of Directors

  
**JOSE EDUARDO A. QUIMPO II**  
President & Chief Executive Officer

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

FEB 25 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

Name	Passport No.	Date/Place of Issue
Anna Ma. Margarita B. Dy		
Jose Eduardo A. Quimpo II		
Ma. Teresa R. Famy		

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Doc. No. 279  
Page No. 57  
Book No. VIII  
Series of 2025.



Notarial DST pursuant to Sec. 61 of the  
RA 9165 Act (Amending Sec. 188 of the NIRC)  
affixed on Notary Public's copy

  
**MA. FELORA A. MANGAWANG**  
Notary Public - Makati City  
App. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII - 0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**Company Name**

[illegible][illegible][illegible][illegible]

Principal Office (No./Street/Barangay/City/Town/Province)

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### Form Type

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**ali.ccs@amicassa.com.ph

**Company's Telephone Number(s)**

**(02) 7908-3804**

Mobile Number

Mobile Number	N/A
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No. of Stockholders

14

Annual Meeting (Month/Day)

4/23

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

Mobile Number:	N/A
----------------	-----

**Contact Person's Address**

**28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City**

**NOTE1 :** 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**

To the Board of Directors and Stockholders of  
**AREIT, Inc.**  
28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

### ***Report on the Audits of the Financial Statements***

#### **Our Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AREIT, Inc. (the "Company") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard (PFRS) Accounting Standards.

#### *What we have audited*

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in equity for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information.

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

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.

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



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
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### **Other Matter**

The financial statements of the Company for the year ended December 31, 2022 were audited by another firm of auditors whose report, dated February 24, 2023, expressed an unmodified opinion on those statements.

### **Our Audit Approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### ***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.

The key audit matter identified in our audit pertains to the valuation of investment properties.





Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
Page 3

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<b>Valuation of investment properties</b>	
<p>Refer to Notes 5 and 19.2 to the financial statements for the details of the investment properties and discussion on critical accounting estimates and assumptions.</p> <p>As at December 31, 2024, investment properties, carried at fair value, amount to P97.58 billion, which is approximately 79% of the total assets of the Company. The determination of fair values by the management and an external appraiser involves significant estimation using assumptions such as discount rates and growth rates, which are influenced by the prevailing market rates and comparable information. A fair value assessment is performed regularly based on the requirements of PFRS 13, <i>Fair Value Measurement</i>, and Philippine Accounting Standard (PAS) 40, <i>Investment Property</i>.</p>	<p>We obtained the latest appraisal reports for investment properties as at December 31, 2024 and assessed the appropriateness of the valuation methodology and significant fair value inputs and assumptions used.</p> <p>We tested the significant inputs and assumptions by establishing our independent estimates based on the current market and economic conditions as well as the Company's historical experience. Further, we assessed the reasonableness of the valuation of investment properties through benchmarking with comparable properties in the market. In performing these procedures, we involved our internal valuation expert.</p> <p>We evaluated the competence and objectivity of the external appraiser engaged by the Company by reviewing their profile, licenses, and client portfolio.</p> <p>We also checked the appropriateness and sufficiency of the note disclosures on the valuation of investment properties in accordance with the requirements of PFRS 13 and PAS 40.</p>



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
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### **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, 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 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 audit, 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 PFRS Accounting Standards, 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.



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
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### **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 PSA 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 PSA, 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 auditor's 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.
- 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.



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
Page 6

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 on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.


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 Bureau of Internal Revenue Requirement***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary 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 Zaldy D. Aguirre.

**Isla Lipana & Co.**



Zaldy D. Aguirre  
Partner

Makati City  
February 19, 2025



## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Stockholders of  
**AREIT, Inc.**  
28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited the financial statements of AREIT, Inc. as at and for the years ended December 31, 2024 and 2023, on which we have rendered the attached report dated February 19, 2025. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration and Map of the Group of Companies within which the Reporting Entity belongs, as additional components required by Part I, Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F and G, as required by Part II of the Revised SRC Rule 68, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68.

**Isla Lipana & Co.**



Zaldy D. Aguirre  
Partner

Makati City  
February 19, 2025

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## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Stockholders of  
**AREIT, Inc.**  
28<sup>th</sup> 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 and for the years ended December 31, 2024 and 2023, and have issued our report thereon dated February 19, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on 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 (PFRS) Accounting Standards 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 SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2024 and 2023 and no material exceptions were noted.

**Isla Lipana & Co.**



Zaldy D. Aguirre  
Partner

Makati City  
February 19, 2025

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**AREIT, Inc.**

Statements of Financial Position  
As at December 31, 2024 and 2023  
(All amounts in Philippine Peso)

	Notes	2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash	2	71,173,448	41,758,546
Receivables, net	3	4,137,961,846	4,265,885,013
Other current assets	4	348,036,017	178,145,850
Total current assets		4,557,171,311	4,485,789,409
<b>Non-current assets</b>			
Receivables, net of current portion	3,16	19,628,763,009	8,926,820,448
Investment properties	5	97,579,387,207	78,255,747,008
Property and equipment, net	6	983,346	1,053,460
Other non-current assets	4	1,456,378,068	1,602,882,126
Total non-current assets		118,665,511,630	88,786,503,042
<b>Total assets</b>		123,222,682,941	93,272,292,451
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts and other payables	7	2,979,327,838	2,127,536,764
Short-term debt	8	2,000,000,000	3,000,000,000
Current portion of deposits and other liabilities	9	388,962,761	649,210,862
Construction bonds	10	138,143,467	95,692,253
Total current liabilities		5,506,434,066	5,872,439,879
<b>Non-current liabilities</b>			
Deposits and other liabilities, net of current porti	9	3,097,435,509	2,773,205,028
Lease liabilities	16	1,248,290,844	1,216,810,735
Total non-current liabilities		4,345,726,353	3,990,015,763
Total liabilities		9,852,160,419	9,862,455,642
<b>Equity</b>			
	11		
Paid-up capital		32,771,959,550	24,359,365,430
Treasury shares		(673,299,700)	(673,299,700)
Additional paid-in capital		56,368,354,602	36,320,032,381
Retained earnings		24,903,508,070	23,403,738,698
Total equity		113,370,522,522	83,409,836,809
<b>Total liabilities and equity</b>		123,222,682,941	93,272,292,451

The notes on pages 1 to 39 are an integral part of these financial statements.

**AREIT, Inc.**

Statements of Comprehensive Income  
For the years ended December 31, 2024 and 2023  
(With comparative figures for the year ended December 31, 2022)  
(All amounts in Philippine Peso)

	Notes	2024	2023	2022
<b>Revenue</b>				
Rental income	5,12	7,562,124,980	5,438,890,870	3,807,533,243
Dues	5,13	1,535,013,696	1,250,613,030	1,042,991,455
Interest income from finance lease receivables	18	1,162,028,271	450,832,306	222,321,826
		10,259,166,947	7,140,336,206	5,072,846,524
<b>Costs and expenses</b>				
Direct operating expenses	5,15	2,659,670,235	1,978,492,974	1,359,803,642
General and administrative expenses	15	91,330,975	126,349,291	79,490,176
		2,751,001,210	2,104,842,265	1,439,293,818
<b>Other charges, net</b>				
Interest income	14	174,493,153	133,829,672	34,332,442
Interest expense and other charges	15	(319,328,672)	(236,970,210)	(231,243,666)
Other income	14	222,921	2,678	-
		(144,612,598)	(103,137,860)	(196,911,224)
<b>Net fair value change in investment properties</b>	5	(43,374,600)	99,254,883	(548,953,984)
<b>Income before income tax</b>		7,320,178,539	5,031,610,964	2,887,687,498
Income tax expense	17	3,113,918	1,066,925	124,462
<b>Net income for the year</b>		7,317,064,621	5,030,544,039	2,887,563,036
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		7,317,064,621	5,030,544,039	2,887,563,036
<b>Basic and diluted earnings per share</b>	21	2.62	2.60	1.91

The notes on pages 1 to 39 are an integral part of these financial statements.

# AREIT, Inc.

## Statements of Changes in Equity For the years ended December 31, 2024 and 2023 (With comparative figures for the year ended December 31, 2022) (All amounts in Philippine Peso)

	Paid-up capital (Note 11)	Treasury shares (Note 11)	Additional paid-in capital (Note 11)	Retained earnings (Note 11)	Total equity
<b>At January 1, 2022</b>	15,762,407,800	(673,299,700)	11,333,074,693	22,465,407,195	48,887,589,988
<b>Comprehensive income</b>					
Net income for the year	-	-	-	2,887,563,036	2,887,563,036
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,887,563,036	2,887,563,036
<b>Transactions with stockholders</b>					
Issuance of new shares, net	2,521,363,830	-	8,688,570,839	-	11,209,934,669
Cash dividends	-	-	-	(2,912,197,864)	(2,912,197,864)
Total transactions with stockholders	2,521,363,830	-	8,688,570,839	(2,912,197,864)	8,297,736,805
<b>At December 31, 2022</b>	18,283,771,630	(673,299,700)	20,021,645,532	22,440,772,367	60,072,889,829
<b>Comprehensive income</b>					
Net income for the year	-	-	-	5,030,544,039	5,030,544,039
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,030,544,039	5,030,544,039
<b>Transactions with stockholders</b>					
Issuance of new shares, net	6,075,593,800	-	16,298,386,849	-	22,373,980,649
Cash dividends	-	-	-	(4,067,577,708)	(4,067,577,708)
Total transactions with stockholders	6,075,593,800	-	16,298,386,849	(4,067,577,708)	18,306,402,941
<b>At December 31, 2023</b>	24,359,365,430	(673,299,700)	36,320,032,381	23,403,738,698	83,409,836,809
<b>Comprehensive income</b>					
Net income for the year	-	-	-	7,317,064,621	7,317,064,621
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	7,317,064,621	7,317,064,621
<b>Transactions with stockholders</b>					
Issuance of new shares, net	8,412,594,120	-	20,048,322,221	-	28,460,916,341
Cash dividends	-	-	-	(5,817,295,249)	(5,817,295,249)
Total transactions with stockholders	8,412,594,120	-	20,048,322,221	(5,817,295,249)	22,643,621,092
<b>At December 31, 2024</b>	32,771,959,550	(673,299,700)	56,368,354,602	24,903,508,070	113,370,522,522

The notes on pages 1 to 39 are an integral part of these financial statements.

**AREIT, Inc.**

Statements of Cash Flows  
For the years ended December 31, 2024 and 2023  
(With comparative figures for the year ended December 31, 2022)  
(All amounts in Philippine Peso)

	Notes	2024	2023	2022
<b>Cash flows from operating activities</b>				
Income before income tax		7,320,178,539	5,031,610,964	2,887,687,498
Adjustments for:				
Net fair value change in investment properties	5	43,374,600	(99,254,883)	548,953,984
Depreciation	6,15	290,415	222,922	90,634
Interest expense and other charges		253,945,021	235,222,482	208,368,633
Interest income from finance lease receivables	18	(1,162,028,271)	(450,832,306)	(222,321,826)
Interest income from cash in banks and intercompany loans	14	(174,493,153)	(133,829,672)	(34,332,442)
Operating income before working capital changes		6,281,267,151	4,583,139,507	3,388,446,481
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables		(88,171,163)	(834,379,771)	(340,416,374)
Other assets		(23,386,108)	64,510,953	120,810,161
Increase (decrease) in:				
Deposits and other liabilities		63,786,423	1,402,477,986	(66,409,250)
Accounts and other payables		851,791,075	961,192,923	534,464,897
Construction bonds		42,451,214	(2,892,023)	40,004,636
Cash generated from operations		7,127,738,592	6,174,049,575	3,676,900,551
Interest received		174,493,153	364,810,118	256,654,268
Income tax paid		(3,113,919)	(1,066,925)	(124,462)
Net cash flows from operating activities		7,299,117,826	6,537,792,768	3,933,430,357
<b>Cash flows from investing activities</b>				
(Increase) decrease in due from related parties		1,220,523,319	(1,734,904,000)	(181,203,951)
Additions to:				
Investment properties	5	(1,347,523,071)	(201,172,225)	(81,462,725)
Property and equipment	6	(220,301)	(677,751)	(379,550)
Proceeds from disposal of investment property		38,985,000	-	-
Net cash flows used in investing activities		(88,235,053)	(1,936,753,976)	(263,046,226)
<b>Cash flows from financing activities</b>				
Payments of:				
Short-term debts	8	(1,000,000,000)	(3,300,000,000)	(890,000,000)
Cash dividends	11	(5,817,295,248)	(4,067,577,708)	(2,912,197,864)
Share issuance cost	11	(141,903,668)	(105,716,411)	(47,954,832)
Interest portion of lease liabilities	16	(55,230,076)	(53,896,170)	(49,232,653)
Interest on short-term and long-term debts	15	(167,038,879)	(94,843,339)	(100,256,144)
Proceeds from:				
Short-term debts	8	-	3,000,000,000	300,000,000
Net cash flows (used in) from financing activities		(7,181,467,871)	(4,622,033,628)	(3,699,641,493)
<b>Net (decrease) increase in cash</b>		29,414,902	(20,994,836)	(29,257,362)
<b>Cash</b>				
At January 1		41,758,546	62,753,382	92,010,744
At December 31	2	71,173,448	41,758,546	62,753,382

Non-cash investing and financing activities 23

The notes on pages 1 to 39 are an integral part of these financial statements.

## **AREIT, Inc.**

### Notes to the Financial Statements

As at and for the years ended December 31, 2024 and 2023

(With comparative figures and notes for the year ended December 31, 2022)

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

## **1 General information**

### *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.

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. 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.

As at December 31, 2024, the Company is 55.39% collectively owned by Ayala Land, Inc.(ALI) or (the “Parent Company”) and its subsidiaries, 6.20%-owned by Buendia Christiana Holdings, Corp. a wholly-owned subsidiary of AC Energy, and the rest by the public.

ALI’s parent is Ayala Corporation (AC). AC is 47.57%-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.

### *Approval and authorization for issuance of the financial statements*

These financial statements have been approved and authorized for issue by the Company's Board of Directors (BOD) on February 19, 2025.

## **2 Cash**

The account as at December 31 consists of:

	2024	2023
Cash on hand	232,500	232,500
Cash in banks	70,940,948	41,526,046
	71,173,448	41,758,546

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned for the years ended December 31, 2024, 2023 and 2022 are disclosed in Note 14.

There are no restrictions on the Company's cash balances as at December 31, 2024 and 2023.

## **3 Receivables, net**

The account as at December 31 consists of:

	Notes	2024	2023
Finance lease receivables	16,18	19,673,140,935	8,970,700,468
Due from related parties	18	2,763,502,905	3,572,116,662
Trade receivables - billed		1,475,918,230	764,788,173
Other receivables		2,866,119	2,349,543
		23,915,428,189	13,309,954,846
Allowance for credit losses		(148,703,334)	(117,249,385)
		23,766,724,855	13,192,705,461
Less: Non-current portion of finance lease receivables		(19,628,763,009)	(8,926,820,448)
Current portion of receivables		4,137,961,846	4,265,885,013

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.

Movements in the allowance for credit losses of trade receivables for the years ended December 31 are as follows:

	Note	2024	2023
At January 1		117,249,385	60,404,901
Provision for doubtful accounts	15	31,453,949	56,844,484
At December 31		148,703,334	117,249,385

There were no receivables pledged as collaterals as at December 31, 2024 and 2023.



#### 4 Other assets

##### (a) Other current assets

The account as at December 31 consists of:

	2024	2023
Input VAT	79,914,038	163,381,035
Deferred input VAT	133,685,864	-
Prepaid expenses	110,243,518	-
Recoverable deposits	24,192,597	14,764,815
	348,036,017	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.

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.

Prepaid expenses pertains to advance payment of real property taxes for certain investment properties.

As at December 31, 2024 and 2023, the amount of input VAT includes claim for refund amounting to P24.73 million, which is still awaiting approval from the BIR.

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

##### (b) Other non-current assets

The account as at December 31 consists of:

	2024	2023
Input VAT	1,178,310,216	1,173,692,852
Deferred input VAT	-	279,408,203
Creditable withholding taxes (CWT), net	270,444,100	148,405,356
Advances to contractors	7,623,752	1,375,715
	1,456,378,068	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.

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, hence recognized by the Company as net of related allowance for probable losses as follows:

	2024	2023
CWT	401,933,984	266,992,694
Allowance for probable losses on CWT	(131,489,884)	(118,587,338)
	270,444,100	148,405,356

The movements in allowance for probable losses on CWT for the years ended December 31 are as follows:

	Note	2024	2023
At January 1		118,587,338	72,000,000
Provision for probable losses	15	12,902,546	46,587,338
At December 31		131,489,884	118,587,338

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

## 5 Investment properties

The account consists of properties that are either held for capital appreciation, for rental purposes or both. The Company's investment properties are carried at fair value.

As at December 31, 2024, the investment properties are composed of 18 stand-alone buildings, six mixed-used properties, six condominium office units, and 285.73 hectares of land 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) hotel building in El Nido, Palawan
Greenbelt 3&5 Mall	Two (2) mall building in Makati City
Holiday Inn Makati	One (1) hotel building in Makati City
Seda Ayala Center Cebu	One (1) hotel building in Ayala Center Cebu, Cebu Business Park
<i>Mixed-use properties</i>	
Ayala North Exchange	Two (2) office towers and one (1) serviced apartment in Makati City
The 30th 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
Ayala Triangle Garden Tower 2	One (1) office tower 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	Three (3) 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
Palauig Industrial Lot	276 hectares in Palauig, Zambales

The movements in investment properties for the years ended December 31 are as follows:

	Note	2024	2023
At January 1		78,255,747,008	60,871,459,005
Additions	11	29,950,343,079	22,680,869,285
Properties under finance lease	16	(10,544,343,280)	(5,497,931,010)
Disposal		(38,985,000)	-
Fair value adjustment		(43,374,600)	201,349,728
At December 31		97,579,387,207	78,255,747,008

### *Additions*

During the years ended December 31, 2024 and 2023, the Company entered into property-for-share swap transactions for certain investment properties in exchange of issuance of shares (Note 11).

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 hotel building 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 (Note 16).

### *Disposals*

In 2024, the Company sold its three (3) condominium office units in BPI-Philam Life Alabang located at Madrigal Business Park, Alabang, Muntinlupa City. In 2023, there were no disposals of investment properties. The proceeds from the disposal is equal to the fair value.

### *Fair value measurement*

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. As at December 31, 2024 and 2023, the fair value of the investment properties was determined by an independent and professionally qualified appraiser engaged by management.

As at December 31, 2024 and 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 which are mainly the discount rate and growth 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 and market prices is accompanied by a directionally similar change in the Company's fair value of investment properties.

The fair value of the Company's investment properties is categorized under Level 3 in the fair value hierarchy as at December 31, 2024 and 2023.

The components of the net fair value change in investment properties for the years ended December 31 are as follows:

	2024	2023	2022
Fair value adjustment	461,055,134	201,349,728	(544,182,723)
Straight-line adjustment	(473,104,893)	(86,563,721)	17,813,632
Lease commissions	(31,324,841)	(15,531,124)	(22,584,893)
	(43,374,600)	99,254,883	(548,953,984)

Rental income and dues earned from investment properties and direct operating expenses incurred for the years ended December 31 are as follows:

	Notes	2024	2023	2022
Rental income	12	7,562,124,980	5,438,890,870	3,807,533,243
Dues	13	1,535,013,696	1,250,613,030	1,042,991,455
Direct operating expenses	15	2,659,670,235	1,978,492,974	1,359,803,642

There are no items of investment properties that are pledged as security to liabilities as at December 31, 2024 and 2023. There are no restrictions on selling or transferring investment properties as at December 31, 2024 and 2023.

There are no contractual purchase commitments for investment properties as at December 31, 2024 and 2023.

## 6 Property and equipment, net

The account as at December 31 pertains to electronic data processing equipment. The roll forward analysis follow:

	Note	2024	2023
<i>Cost</i>			
At January 1		3,285,878	2,608,127
Additions		220,301	677,751
At December 31		3,506,179	3,285,878
<i>Accumulated depreciation</i>			
At January 1		2,232,418	2,009,496
Depreciation	15	290,415	222,922
At December 31		2,522,833	2,232,418
Net book value at December 31		983,346	1,053,460

There are no items of property and equipment that are pledged as security to liabilities as at December 31, 2024 and 2023.

There are no contractual purchase commitments for property and equipment as at December 31, 2024 and 2023.

## 7 Accounts and other payables

The account as at December 31 consists of:

	Notes	2024	2023
Due to related parties	18	1,979,810,093	1,387,841,859
Accounts payable		817,595,440	375,385,620
Taxes payable		98,033,159	202,773,416
Accrued expenses			
Repairs and maintenance		46,898,065	50,708,775
Light and water		15,769,349	53,654,236
Outside services		7,470,752	47,142,815
Rent		2,176,896	869,176
Professional fees		29,529	2,150,753
Others		2,170,136	4,545,906
Retention payable		5,952,197	2,464,208
Interest payable	8	3,422,222	-
		2,979,327,838	2,127,536,764

Accounts payable arises from regular transactions with suppliers and service providers. These are non-interest bearing and are normally settled on 15-day 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.

## 8 Short-term debts

As at December 31, 2024, the Company's short-term debts pertain to short-term loans payable with a local bank, which are unsecured, with average term of 31 days (2023 - 32 days) and with average interest rate of 5.60% (2023 - 5.60%) (Note 18).

Interest expense on short-term debts are disclosed in Note 15.

## 9 Deposits and other liabilities

The account as at December 31 consists of:

	2024	2023
Security deposits	1,776,006,705	1,667,515,061
Advance rentals	1,329,637,726	1,428,973,801
Deferred credits	380,753,839	325,927,028
	3,486,398,270	3,422,415,890
Less: Current portion of deposits and other liabilities	(388,962,761)	(649,210,862)
Deposits and other liabilities, net of current portion	3,097,435,509	2,773,205,028

The current portion of deposits and other liabilities as at December 31 consists of:

	2024	2023
Security deposits	100,613,259	175,500,235
Advance rentals	147,404,590	322,412,270
Deferred credits	140,944,912	151,298,357
	388,962,761	649,210,862

### (a) 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.

The roll forward of security deposits for the years ended December 31 follows:

	Note	2024	2023
<i>Gross amount</i>			
At January 1		1,907,821,656	1,115,770,346
Additions		79,814,956	792,823,358
Refunds		(20,394,511)	(772,048)
At December 31		1,967,242,101	1,907,821,656
<i>Unamortized discount</i>			
At January 1		240,306,595	71,449,954
Additions		16,227,789	203,634,743
Accretion	15	(65,298,988)	(34,778,102)
At December 31		191,235,396	240,306,595
Net book value at December 31		1,776,006,705	1,667,515,061

### (b) 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.

(c) *Deferred credits*

Deferred credits are initially measured as the difference between the cash received and the fair value of security deposits. These are subsequently amortized using the straight-line method and recognized as amortization of deferred credits' under 'rental income' in the statement of comprehensive income. Accretion of discount is recorded under "Interest expense and other charges" in profit or loss.

Deferred credits pertain to the difference between the nominal value of the deposits and its fair value.

The roll forward of deferred credits for the years ended December 31 follows:

	Note	2024	2023
At January 1		325,927,028	57,988,921
Additions		127,278,419	303,779,427
Amortization	12	(72,451,608)	(35,841,320)
At December 31		380,753,839	325,927,028
Less: Current portion		(140,944,912)	(151,298,357)
Non-current portion		239,808,927	174,628,671

## 10 Construction bonds

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

The carrying value of the Company's construction bonds amounts to P138.14 million as at December 31, 2024 (2023 - P95.69 million).

## 11 Equity

(a) *Paid-up capital and additional paid-in capital (APIC)*

The details of the Company's paid-up capital as at December 31 follow:

	2024	2023
Authorized	4,050,000,000	4,050,000,000
Par value per share	10.00	10.00
Issued and outstanding shares	3,209,865,985	2,368,606,573

The changes in the number of common shares for the years ended December 31 follow:

	2024	2023	2022
<i>Authorized number of shares</i>			
At January 1 (P10.00 par value)	4,050,000,000	2,950,000,000	2,950,000,000
Increase in authorized capital stock	-	1,100,000,000	-
At December 31	4,050,000,000	4,050,000,000	2,950,000,000
<i>Issued shares</i>			
At January 1	2,435,936,543	1,828,377,163	1,576,240,780
Issuance of new shares	841,259,412	607,559,380	252,136,383
At December 31	3,277,195,955	2,435,936,543	1,828,377,163
<i>Treasury shares</i>			
At January 1 and December 31	(67,329,970)	(67,329,970)	(67,329,970)
Outstanding shares at December 31	3,209,865,985	2,368,606,573	1,761,047,193



### Issuance of new shares

During the years ended December 31, 2024 and 2023, the Company entered into property-for-share swap transactions for certain investment properties in exchange of issuance of shares. The details of transaction value of investment properties acquired and the amount resulting from the issuance of new shares for the years ended December 31 follow:

<i>December 31, 2024</i> Property	Counterparty*	Transaction value	Number of shares	Issue price	Paid-up capital	Additional paid-in capital
Ayala Triangle Garden Tower 2	ALI	12,480,755,836	367,081,054	34	3,670,810,540	8,809,945,296
Greenbelt 3 & 5 Malls	ALI	5,414,024,408	159,236,012	34	1,592,360,120	3,821,664,288
Seda Ayala Center Cebu	Cebu Insular	2,635,203,116	77,505,974	34	775,059,740	1,860,143,376
Holiday Inn Makati	Green Haven	1,303,115,756	38,326,934	34	383,269,340	919,846,416
Palauig Industrial Lot	BCHC	6,769,720,892	199,109,438	34	1,991,094,380	4,778,626,512
		28,602,820,008	841,259,412		8,412,594,120	20,190,225,888

<i>December 31, 2023</i> Property	Counterparty*	Transaction value	Number of shares	Issue price	Paid-up capital	Additional paid-in capital
Glorietta BPO 1	ALI	3,090,625,614	83,530,422	37	835,304,220	2,255,321,394
Glorietta BPO 2	ALI	3,265,229,909	88,249,457	37	882,494,570	2,382,735,339
One Ayala West Tower	ALMI	4,955,177,233	133,923,709	37	1,339,237,090	3,615,940,143
One Ayala East Tower	ALMI	5,670,733,294	153,263,062	37	1,532,630,620	4,138,102,674
Glorietta Mall Wings 1 and 2	ALI	3,448,776,031	93,210,163	37	932,101,630	2,516,674,401
Marquee Mall	NBCC	2,049,154,979	55,382,567	37	553,825,670	1,495,329,309
		22,479,697,060	607,559,380		6,075,593,800	16,404,103,260

<i>December 31, 2022</i> Property	Counterparty*	Transaction value	Number of shares	Issue price	Paid-up capital	Additional paid-in capital
ebloc Tower 1	ALI	2,120,348,800	47,488,215	44.65	474,882,150	1,645,466,650
ebloc Tower 2	ALI	2,659,373,155	59,560,429	44.65	595,604,290	2,063,768,865
ebloc Tower 3	ALI	1,384,962,317	31,018,193	44.65	310,181,930	1,074,780,387
ebloc Twer 4	ALI	1,748,801,504	39,166,887	44.65	391,668,870	1,357,132,634
ACC (Ayala Center Cebu) Tower	ALI	2,185,801,369	48,954,118	44.65	489,541,180	1,696,260,189
Tech Tower	ALI	1,158,602,356	25,948,541	44.65	259,485,410	899,116,946
		11,257,889,501	252,136,383		2,521,363,830	8,736,525,671

\*All of the counterparties are related party of the Company (Parent Company or entity under common control)

The pertinent details of approvals and share issuance costs for each of the property-for-share swap during the years ended December 31 follow:

	2024	2023	2022
Date of BOD approval	November 16, 2023	March 7, 2023	March 10, 2022
Date of stockholders approval	April 23, 2024	April 26, 2023	April 21, 2022
Date of SEC approval	September 25, 2024	September 20, 2023	December 29, 2022
Share issuance costs	141,903,668	105,716,411	47,954,832

The Company's track record of capital stock is as follows:

Type of shares	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders of securities as of 2024	Number of holders of securities as of 2023
Common shares	1,092,986,405	Par value- P10.00/ Issue price P27.00	July 27, 2020	48,239	39,810
Common shares	483,254,375	Par value- P10.00/ Issue price P32.00	October 07, 2021		
Common shares	252,136,383	Par value- P10.00/ Issue price P44.65	December 22, 2022		
Common shares	607,559,380	Par value- P10.00/ Issue price P37.00	September 20, 2023		
Common shares	841,259,412	Par value- P10.00/ Issue price P34.00	September 25, 2024		

(b) *Cash dividends*

The BOD approved the declaration of cash dividends amounting to P5.82 billion for the year ended December 31, 2024 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in millions)	Payment date to stockholders
Q3 of 2024	November 13, 2024	November 27, 2024	P0.58	1,861.72	December 13, 2024
Q2 of 2024	July 12, 2024	July 26, 2024	P0.56	1,326.42	August 11, 2024
Q1 of 2024	May 14, 2024	May 28, 2024	P0.56	1,326.42	September 13, 2024
Q4 of 2023	February 19, 2024	March 04, 2024	P0.55	1,302.73	March 20, 2024
				5,817.29	

The BOD approved the declaration of cash dividends amounting to P4.07 billion for the year ended December 31, 2023 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in millions)	Payment date to stockholders
Q3 of 2023	November 16, 2023	December 1, 2023	P0.55	1,302.73	December 15, 2023
Q2 of 2023	August 14, 2023	August 30, 2023	P0.53	933.3	September 13, 2023
Q1 of 2023	May 17, 2023	May 31, 2023	P0.52	915.74	June 16, 2023
Q4 of 2022	February 24, 2023	March 10, 2023	P0.52	915.74	March 24, 2023
				4,067.51	

The BOD approved the declaration of cash dividends amounting to P2.91 billion for the year ended December 31, 2022 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in million)	Payment date to stockholders
Q3 of 2022	October 11, 2022	October 25, 2022	P0.49	739.37	November 10, 2022
Q2 of 2022	August 12, 2022	August 26, 2022	P0.49	739.37	September 09, 2022
Q1 of 2022	May 19, 2022	June 02, 2022	P0.48	724.28	June 17, 2022
Q4 of 2021	February 24, 2022	March 11, 2022	P0.47	709.18	March 25, 2022
				2,912.2	

## 12 Rental income

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Office, retail and land	16	7,202,294,529	5,205,649,501	3,626,926,514
Parking fees	16	287,378,843	197,400,049	154,078,031
Amortization of deferred credits	9	72,451,608	35,841,320	26,528,698
		7,562,124,980	5,438,890,870	3,807,533,243

Variable rent, included within rental income, based on gross sales for the year ended December 31, 2024 amounts to P9.91 million (2023 - P1.30 million; 2022 - P9.08 million).

Further information regarding lease agreements and commitments is disclosed in Note 16.

### 13 Dues

Dues pertain to net recoveries from tenants for utilities, except for usage of common areas and air-conditioning charges, which are presented at gross of the related expenses. Set out below is the disaggregation of the Company's revenue from non-lease component for the years ended December 31:

	2024	2023	2022
Dues:			
Common area charges	1,453,999,300	1,205,457,742	880,438,679
Utilities dues	81,014,396	45,155,288	162,552,776
	1,535,013,696	1,250,613,030	1,042,991,455

### 14 Interest and other income

#### (a) Interest income

The account for the years ended December 31 consists of:

	Note	2024	2023	2022
Interest income from:				
Intercompany loans	18	158,923,565	128,495,045	33,710,130
Short term investments		628,228	418,913	3,771
Cash in banks		14,941,360	4,915,714	618,541
		174,493,153	133,829,672	34,332,442

#### (b) Other income

The account pertains to income earned from penalties arising from late payments.

### 15 Costs and expenses and other charges

#### (a) Direct operating expenses

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Management fees	18	714,370,443	540,444,364	398,075,418
Taxes and licenses		638,000,196	469,904,775	363,304,266
Land lease	16,18	587,420,250	421,589,053	262,034,140
Repairs and maintenance		355,209,318	272,531,593	165,399,042
Outside services		247,054,363	187,647,959	119,284,197
Insurance		34,640,721	26,645,482	14,357,866
Miscellaneous		31,216,298	17,536,284	10,524,065
Others		51,758,646	42,193,464	26,824,648
		2,659,670,235	1,978,492,974	1,359,803,642

*(b) General and administrative expenses*

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Provision for credit losses on receivable	3	31,453,949	56,844,484	22,948,855
Provision for probable losses on CWT	4	12,902,546	46,587,338	39,000,000
Taxes and licenses		20,305,841	5,723,217	3,008,543
Systems cost		10,713,068	6,896,260	4,185,393
Professional fees		6,590,562	4,250,112	4,603,471
Depreciation	6	290,415	222,922	90,634
Others		9,074,594	5,824,958	5,653,280
		91,330,975	126,349,291	79,490,176

*(c) Interest expense and other charges*

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Interest expense on:				
Short-term debts		167,123,540	93,944,714	100,249,019
Lease liabilities	16	86,710,186	84,126,547	81,832,181
Accretion of security deposits	9	65,298,988	34,778,102	26,287,433
Amortization of bond issue costs		195,958	24,120,847	22,875,033
		319,328,672	236,970,210	231,243,666

**16 Agreements and lease commitments**

*(a) 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 non-cancellable leases are subject to 1.5% to 10% annual escalation rate.

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2024	2023	2022
Within one year	6,237,306,375	5,238,667,800	2,854,784,345
After one year but not more than five (5) years	15,441,992,135	15,866,743,989	8,021,660,128
More than five years	15,422,209,851	3,617,758,018	335,045,027
	37,101,508,361	24,723,169,807	11,211,489,500

*The Company as lessor - finance lease*

The Company entered into various lease agreements with its Parent Company or related parties (entities under common control) with details as follows (Notes 3 and 18):

Property	Lease Start Date	Counterparty	Initial net investment in lease	Lease term (in years)	Payment terms
ANE Seda Makati Residences	September 1, 2019	Makati North Hotel Ventures, Inc. (MNHVI)	2,215,718,216	39	• Fixed rate plus a certain percentage of total revenue of the lessee for the remaining period of the lease term
Retail podium of The 30th	January 1, 2021	North Eastern Commercial Corporation (NECC)	418,280,884	36	• 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
Vertis North Commercial Development Mall	October 1, 2021	North Eastern Commercial Corporation (NECC)	517,723,249	36	• Fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years
Glorietta Mall Wings 1&2	July 1, 2023	AyalaLand Malls, Inc. (ALMI)	3,448,776,031	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Marquee Mall	July 1, 2023	North Beacon Commercial Corp (NBCC)	2,049,154,979	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Seda Lio	January 17, 2024	Econorth Resort Ventures, Inc	1,192,000,000	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Greenbelt 3&5 Malls	July, 1, 2024	AyalaLand Malls, Inc. (ALMI)	5,414,024,408	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Holiday Inn Makati	July 1, 2024	Green Haven Property Ventures, Inc. (GPVI)	2,635,203,116	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Seda Ayala Center Cebu	July 1, 2024	Cebu Insular Hotel Co., Inc.	1,303,115,756	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2024	2023	2022
Within one year	1,491,049,823	915,109,665	234,690,936
After one year and not more than five (5) years	6,294,303,937	2,783,123,097	946,965,562
More than 5 years	41,067,339,616	19,286,270,607	7,465,937,702
Total undiscounted lease payments and unguaranteed residual value	48,852,693,376	22,984,503,369	8,647,594,200
Less: Unearned finance income	(29,179,552,441)	(14,013,802,901)	(5,426,448,195)
Net investment in the lease	19,673,140,935	8,970,700,468	3,221,146,005

The Company remains to be the legal owner of the portion of the ANE building, retail podium of The 30th, Vertis North Commercial Development Mall, Glorietta 1 & 2 Malls, Marquee Mall, Sedal Lio, Greenbelt 3&5 malls, Holiday Inn and Seda Ayala Center Cebu properties under finance lease.

*(b) The Company as lessee - land lease agreements (variable rent expense)*

The Company entered into various land lease agreements with its Parent Company or related parties (entities under common control) with details as follows:

Property	Effective date	Counterparty*	Lease term (in years)
Land lease of Solaris building	January 1, 2016	ALI	33
Land lease of ANE	April 26, 2019		
	October 5, 2018	HLC Development Corporation (through assignment)	40
Land lease of Teleperformance Cebu	October 1, 2020	ALI (through assignment)	31
Land lease of The 30th	January 15, 2021	MBS Development Corporation (MBS)	40
Land of Vertis Towers 1-3 and Vertis Mall	October 1, 2021	ALI (through assignment)	36
Land lease of Bacolod BPO	October 1, 2021	ALI (through assignment)	36
Land lease of Cebu properties (ebloc 1, ebloc2, ebloc 3, ebloc 4, ACC Tower and Tech Tower)	October 1, 2022	ALI	36
Land lease of Glorietta 1&2 offices; and Mall	July 1, 2023	ALI	36
Land lease of One Ayala East and West towers	July 1, 2023	ALI	41.5
Land lease of Marquee Mall	July 1, 2023	NBCC	36
Land lease of Ayala Triangle Garden Tower 2	July 1, 2024	ALI	40

All of the land lease payments are on a variable basis paid monthly based on a certain percentage of gross rental income of the Company for the leased property.

The Company's contracts of lease for the land spaces that it occupies does not include any dismantling provision clause; hence, there is no need to recognize an asset retirement obligation.

*(c) The Company as lessee - land and building leases (lease liabilities)*

Property	Effective date	Counterparty*	Lease term (in years)	Payment terms
Lease of land and building of MECC	January 31, 2020	ALI	34	Fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.
Land lease of One and Two Evotech	October 1, 2021	CECI Realty, Inc. (through assignment)	36	Fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.
Land lease of Bacolod Capitol Property	October 1, 2021	Province of Negros Occidental	50	Fixed monthly rate, subject to an escalation rate of ten percent (10%) every five (5) years.

Movement in lease liabilities for the years ended December 31 follows:

	Note	2024	2023
Balance at beginning the year		1,216,810,735	1,186,580,358
Interest expense	15	86,710,186	84,126,547
Payments		(55,230,077)	(53,896,170)
Balance at the end of the year		1,248,290,844	1,216,810,735

The right-of-use assets are included as part of investment properties and amounts to P968.68 million as at December 31, 2024 (2023 - P999.56 million).



The total cash outflow related to leases for the years ended December 31 amounted to:

	Note	2024	2023	2022
Variable lease payments not included in the measurement of lease liabilities	15	587,420,250	421,589,053	262,034,140
Payments of lease liabilities				
Principal portion		-	-	-
Interest portion		55,230,076	53,896,170	49,232,653
Total cash outflows		642,650,326	475,485,223	311,266,793

The following are the amounts recognized in the statement of total comprehensive income from the Company's lease agreements as lessee:

	Notes	2024	2023	2022
Rent expense - variable lease payments	15	587,420,250	421,589,053	262,034,140
Interest expense from lease liabilities	15	86,710,186	84,126,547	81,832,181
Total amounts recognized in the statement of total comprehensive income		674,130,436	505,715,600	343,866,321

## 17 Income tax

The account for the years ended December 31 consists of:

	2024	2023	2022
Current (final tax)	3,113,918	1,066,925	124,462
Deferred	-	-	-
	3,113,918	1,066,925	124,462

The Company has incurred NOLCO in the taxable years 2024, 2023 and 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
2024	519,442,116	-	519,442,116	2027
2023	890,518,286	-	890,518,286	2026
2022	336,859,619	-	336,859,619	2025
2021	688,819,663	-	688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	2,916,922,701	-	2,916,922,701	

The Company does not recognize deferred tax asset the probability of generating future taxable income is assessed to be remote in view of its effectively tax free status as a REIT entity.

The reconciliation (in %) between the statutory income tax rate to the effective income tax rate shown in the statement of total comprehensive income follows:

	2024	2023	2022
Statutory income tax rate	25.00	25.00	25.00
Add (deduct) tax effect of:			
Non-deductible expenses	5.99	5.77	1.17
Non-taxable income	(10.99)	(13.07)	(0.37)
Deductible dividends	(20.00)	(17.70)	(25.80)
Effective income tax rate	0.00	0.00	0.00

For each of the three years ended December 31 above, the Company availed of the itemized deduction.

## 18 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 management, marketing, leasing and administrative service agreements. These are based on terms agreed by the parties. 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 amounts of transactions that have been entered into with related parties as at and for the years ended December 31:

#### a. Outstanding balances with ALI, affiliates and other related parties (entities under common control).

Receivables from and payables to related parties pertain mainly to rental income, management fees, advances, reimbursements of operating expenses, and intercompany lending, which are due and demandable. These are settled generally in cash, unless if otherwise indicated, at a gross basis.

Receivables from and payable to related parties as at December 31 are as follow:

	2024		2023		Terms and conditions
	Transactions	Outstanding balances	Transactions	Outstanding balances	
<b>Finance lease receivables</b>					
Entities under common control	1,162,028,271	<b>19,673,140,935</b>	450,832,306	<b>8,970,700,468</b>	Balances are due quarterly or annually. These are non-interest bearing and secured with the related investment properties (Notes 5 and 16).
<b>Due from related parties</b>					
Parent Company	48,715,642	529,184,080	207,704,444	439,653,075	Balances relating to trade receivables are due and demandable. These are interest and non-interest bearing, and unsecured. No impairment is recognized.
Affiliates	175,634,469	1,932,449,494	412,421,593	3,112,196,210	
Other related parties	271,249,902	301,869,331	181,432,107	20,267,377	
					The Company also provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.30% to 6.89% (2023 - 5.59% to 6.95%; 2022 - 1.74% to 5.28%) per annum
		<b>2,763,502,905</b>		<b>3,572,116,662</b>	
<b>Due to related parties</b>					
Parent	682,556,290	588,810,099	333,492,586	394,088,299	Balances are due and demandable. These are non-interest bearing and unsecured.
Affiliates	1,398,718,139	1,318,019,607	902,390,414	985,400,924	
Other related parties	61,674,153	72,980,387	51,616,915	8,352,636	
		<b>1,979,810,093</b>		<b>1,387,841,859</b>	

b. Revenue from related parties

The revenue from the Parent Company, affiliates and other related parties pertains to rental income, interest income from finance lease and interest income from intercompany loans. There is no impairment on these related receivables.

Revenue for the years ended December 31 are as follows:

2024	Rental income	Interest income from Finance lease	Interest income from intercompany loans	Total
Parent	20,052,905	-	28,662,736	48,715,641
Affiliates	45,373,640	1,162,028,271	130,260,829	1,337,662,740
Other related parties	271,249,902	-	-	271,249,902
Total	336,676,447	1,162,028,271	158,923,565	1,657,628,283

2023	Rental income	Interest income from Finance lease	Interest income from intercompany loans	Total
Parent	200,877,454	-	6,826,990	207,704,444
Affiliates	290,753,538	450,832,306	121,668,055	863,253,899
Other related parties	181,432,107	-	-	181,432,107
Total	673,063,099	450,832,306	128,495,045	1,252,390,450

Cost and expenses for the years ended December 31 are as follows:

2024	Management fees	Rental expenses	Utility expenses	Contracted services	Interest expense	Total
Parent	-	488,689,339	-	-	62,011,753	550,701,092
Affiliates	665,869,545	87,119,455	529,611,871	35,092,814	-	1,317,693,685
Other related parties	-	-	54,042,369	-	-	54,042,369
Total	665,869,545	575,808,794	583,654,240	35,092,814	62,011,753	1,922,437,146

2023	Management fees	Rental expenses	Utility expenses	Contracted services	Interest expense	Total
Parent	-	273,112,761	-	-	60,379,825	333,492,586
Affiliates	478,181,878	95,252,841	308,626,471	20,329,224	-	902,390,414
Other related parties	-	-	51,616,915	-	-	51,616,915
Total	478,181,878	368,365,602	360,243,386	20,329,224	60,379,825	1,287,499,915

The following describes the nature of the material transactions of the Company with related parties as at December 31, 2024 and 2023:

- The Company provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.30% to 6.89% (2023 - 5.59% to 6.95%; 2022 - 1.74% to 5.28%) per annum.
- In 2019, the Company entered into a contract of lease with affiliates for the lease of building for a period of 39 years. 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 (Note 16).

In 2021, the Company entered into a contract of lease with affiliates for lease of buildings for a term of 36 years. 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. (Note 16).

In 2023 and 2024, the Company entered into a contract of lease with affiliates for lease of buildings for period of 25 years. The lease generally provides rates based on a fixed rent and shall be subject to an escalation rate of 2.5% per annum (Note 16).

In 25 September 2024, the Company entered into a contract of lease with Giga Ace 8, Inc. for the lease of industrial land in Palauig Zambales for a period of 25 years. The lease generally provides rates based on a fixed rent and shall be subject to an escalation of 1.5% per annum.

- 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, One Ayala Office towers, and Glorietta 1 & 2 BPO are located. The lease generally provides for a monthly rent based on a certain percentage of gross rental income (Note 16).
- On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building for a period of 34 years. The rent is payable at a fixed monthly rate, subject to 5% annual escalation rate (Note 16).
- Affiliates and other related parties of the Company provides energy and water distribution services to the Company.
- The Company entered into management contracts with affiliates to handle fund and property manager functions of the Company starting August 13, 2020. The fund management fee is 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. While for property management fee, this is 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 (Note 15).

#### *Cash in bank*

The Company has cash in bank balance with the Bank of the Philippine Islands (BPI), an associate of AC, amounting to P36.68 million as at December 31, 2024 (2023 - P16.92 million). Interest income earned from these deposits for the year ended December 31, 2024 amounted to P0.29 million (2023 - P0.37 million; 2022 - P0.14 million).

#### *Short-term debt*

The Company has an outstanding short-term debt payable to BPI amounting to nil as at December 31, 2024 (2023 - P3.00 billion). Interest expense from short-term debt payable to BPI for the year ended December 31, 2024 amounted to P45.91 million (2023 - P1.38 million; 2022 - P1.56 million).

#### *Compensation of key management personnel*

The key management functions of the Company are handled by AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (l) and (m). Thus, there is no additional key management personnel disclosure required on the Company's financial statements.

## 19 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in compliance with Philippine Financial Reporting Standards Accounting Standards 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 financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

### 19.1 Critical 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 (Note 17)*

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, they 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 (Note 12)*

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.

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 (Note 12)*

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 (Note 16)*

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 building, the Vertis Mall, Glorietta Mall 1 and 2 Wings, Marquee Mall, Seda Lio, Greenbelt 3&5 malls, Holiday Inn, and Seda Ayala Center Cebu. 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 (Note 5)*

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 as (a) the building is considered a single identifiable asset and (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset.

### **19.2 Critical 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 (ECL) of trade receivables (Note 3)*

The Company uses a provision matrix to calculate ECL 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 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 ECL is sensitive to changes in circumstances and forecast of 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.

#### *Evaluating impairment of non-financial assets carried at cost (Note 4)*

The Company assesses at the end of each reporting period whether there is an objective evidence that the input VAT and CWT are no longer recoverable. In determining the recoverable amount of input VAT and CWT, management considers the probability of future transactions or events against which these accounts can be utilized, including adequacy of documentation for anticipated tax audits. Where the final outcome of these matters is different from the amounts that were initially recorded, the carrying amounts of input VAT and CWT are reduced and the amount of probable losses is recognized in profit or loss.

As at December 31, 2024 and 2023, management believes that it will be able to generate future transactions against which the input VAT can be utilized or in worst case scenario, file a claim for refund from tax authorities subject to potential tax audits where management can sustain the positions taken in their tax returns.

The allowance for probable losses on CWT is based on reasonably possible recoverable amount based on historical experience of the Company and its related parties.



### *Valuation of investment properties held at fair value (Note 5)*

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 rent, 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 best available information.

The fair values of investment properties have been determined using Discounted Cash Flows (DCF) Method (level 3). The significant unobservable input used in the fair value measurement as at December 31, 2024 and 2023 are shown below:

Significant unobservable input	Rate	Sensitivity of the input to fair value
Discount rate	2024: 7.88% - 9.78% 2023: 9.51%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Growth rate	2024: 1.50% - 4.00% 2023: 2.00% - 4.00%	Increase (decrease) in the growth rate would increase (decrease) the fair value

## **20 Financial risk, capital management, and fair value measurement**

### **20.1 Financial risk management**

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 market, credit, 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 the Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (Note 18).

#### **20.1.1 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.

## **20.1.2 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.

The Company's maximum exposure to credit risk as at December 31 is equal to the carrying values of its financial assets, except for finance lease and trade receivables under "Receivables" in the statement of financial position:

2024			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure
Cash in banks	70,940,948	-	70,940,948
Receivables			
Finance lease receivables	19,673,140,935	24,100,080,159	-
Due from related parties	2,763,502,905	-	2,763,502,905
Trade receivables	1,475,918,230	1,598,397,298	-
Other receivables	2,866,119	-	2,866,119
Recoverable deposits	24,192,597	-	24,192,597
	24,010,561,734	25,698,477,457	2,861,502,569

2023			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure
Cash in banks	41,526,046	-	41,526,046
Receivables			
Finance lease receivables	8,970,700,468	8,970,700,468	-
Due from related parties	3,572,116,662		3,572,116,662
Trade receivables	764,788,173	1,580,476,636	-
Other receivables	2,349,543	-	2,349,543
Recoverable deposits	14,764,815	-	14,764,815
	13,366,245,707	10,551,177,104	3,630,757,066

The aging analysis of the Company's receivable presented per class as at December 31 follows:

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
2024							
Finance lease receivables	19,673,140,935					-	19,673,140,935
Due from related parties	1,375,080,681	63,696,023	21,677,746	47,014,482	1,256,033,973	-	2,763,502,905
Trade receivables - billed	2,341,584	290,907,532	110,871,983	158,259,446	764,834,351	148,703,334	1,475,918,230
Total	21,050,563,200	354,603,555	132,549,729	205,273,928	2,020,868,324	148,703,334	23,912,562,070
2023							
Finance lease receivables	8,970,700,468	-	-	-	-	-	8,970,700,468
Due from related parties	2,595,604,000	44,799,033	15,246,510	33,066,481	883,400,638	-	3,572,116,662
Trade receivables - billed	1,349,304	251,609,006	196,782,679	127,578,629	70,219,170	117,249,385	764,788,173
Total	11,567,653,772	296,408,039	212,029,189	160,645,110	953,619,808	117,249,385	13,307,605,303

The Company considers the following credit quality classification:

- Stage 1 are considered to be neither past due nor impairment;
- Stage 2 are considered to be past due but not impaired; and
- Stage 3 are considered to be impaired.

(a) *Trade receivables*

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. 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 the receivables are generally covered by security deposits.

As at December 31, 2024, the allowance for credit losses of trade receivables amounts to P148.70 million (2023 - P117.25 million) (Note 3).

(b) *Cash in banks*

As at December 31, 2024 and 2023, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

(c) *Finance lease receivables*

The Company has applied the simplified approach and has calculated allowance for credit losses based on lifetime ECL for finance lease receivables. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

As at December 31, 2024 and 2023, the ECL related to the Company's finance lease receivables 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 counterparties are generally of good credit standing.

*(d) Due from related parties*

As at December 31, 2024 and 2023, the Company did not provide any allowance relating to due from related parties since there is no history of default payments. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operate.

### 20.1.3 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 December 31, 2024 is P23.5 billion (2023 - P23.00 billion). The Company may also refinance its loans and manage payment terms for its payables.

The tables below summarize the maturity profile of the Company's financial instruments as at December 31 based on contractual undiscounted payments:

	2024			Total
	< 1 year	1 to 5 years	> 5 years	
Financial assets				
Cash in banks	70,940,948	-	-	70,940,948
Receivables				
Finance lease receivables	1,491,049,823	6,294,303,937	41,067,339,616	48,852,693,376
Due from related parties	2,763,502,905	-	-	2,763,502,905
Trade receivables*	1,327,214,896	-	-	1,327,214,896
Recoverable deposits	24,192,597	-	-	24,192,597
	5,676,901,169	6,294,303,937	41,067,339,616	53,038,544,722
Financial liabilities				
Accounts and other payables				
Due to related parties	1,979,810,093	-	-	1,979,810,093
Accounts payable	817,595,440	-	-	817,595,440
Accrued expenses	74,514,727	-	-	74,514,727
Retention payable	5,952,197	-	-	5,952,197
Interest payable	3,422,222	-	-	3,422,222
Short-term debt	2,000,000,000	-	-	2,000,000,000
Security deposits	486,110,365	1,029,827,954	451,303,782	1,967,242,101
Lease liabilities	56,204,119	249,981,290	3,951,183,259	4,257,368,668
Construction bonds	138,143,467	-	-	138,143,467
	5,561,752,630	1,279,809,244	4,402,487,041	11,244,048,915
Net liquidity (gap) position	115,148,539	5,014,494,693	36,664,852,575	41,794,495,807

\* Net of allowance for ECL

	2023			Total
	< 1 year	1 to 5 years	> 5 years	
Financial assets				
Cash in banks	41,526,046	-	-	41,526,046
Receivables				
Finance lease receivables	915,109,665	2,783,123,097	19,286,270,607	22,984,503,369
Due from related parties	3,597,384,191	-	-	3,597,384,191
Trade receivables*	647,538,788	-	-	647,538,788
Recoverable deposits	14,764,815	-	-	14,764,815
	5,216,323,505	2,783,123,097	19,286,270,607	27,285,717,209
Financial liabilities				
Accounts and other payables				
Due to related parties	1,387,841,859	-	-	1,387,841,859
Accounts payable	375,385,620	-	-	375,385,620
Accrued expenses	159,071,661	-	-	159,071,661
Retention payable	2,464,208	-	-	2,464,208
Interest payable	-	-	-	-
Short-term debt	3,014,933,333	-	-	3,014,933,333
Security deposits	479,326,477	873,122,113	555,373,066	1,907,821,656
Lease liabilities	53,730,251	226,853,493	4,017,826,924	4,298,410,668
Construction bonds	95,692,253	-	-	95,692,253
	5,568,445,662	1,099,975,606	4,573,199,990	11,241,621,258
Net liquidity (gap) position	(352,122,157)	1,683,147,491	14,713,070,617	16,044,095,951

\* Net of allowance for ECL

## 20.2 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 at December 31 follow:

	2024	2023
Paid-up capital	32,771,959,550	24,359,365,430
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	56,368,354,602	36,320,032,381
Retained earnings	24,903,508,070	23,403,738,698
	113,370,522,522	83,409,836,809

There are no changes made in the Company's capital management objectives, policies or processes.

### Loan covenants

As at December 31, 2024 and 2023, the Company is not subject to any externally imposed capital requirements from debt covenant.

### REIT Act - Aggregate Leverage Limit

The Company is subject to externally imposed capital requirements consistent with the requirement of the REIT Act section 8.10, *Aggregate Leverage Limit*. In 2024 and 2023, the Company is compliant with its debt covenants and requirements of the REIT Act.

### Distributable Income under the IRR of REIT Act of 2009

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 PFRS Accounting Standards.

The computation of distributable income as presented by the management of the Company for the years ended December 31 follows:

	2024	2023	2022
Net income	7,317,064,621	5,030,544,039	2,887,563,036
Unrealized gain:			
Net fair value loss (gain) on investment properties	43,374,600	(99,254,883)	548,953,984
Straight-lining adjustments recorded in rental income	(473,104,893)	(86,563,721)	17,813,632
Distributable income	6,887,334,328	4,844,725,435	3,454,330,652

For each of the years ended December 31, 2024, 2023 and 2022, the Company is compliant by declaring 90% of its distributable income as dividends. Dividend declarations are disclosed in Note 11.

### 20.3 Fair value measurement

The Company follows the fair value measurement hierarchy to disclose the fair value measurements of its financial instruments. The table below summarizes the fair value measurement of the Company's assets and liabilities at December 31, all of which are under Level 3 in the fair value hierarchy:

	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
Finance lease receivables	19,673,140,935	23,340,972,955	8,970,700,468	10,470,115,115
Lease liabilities	1,248,290,844	1,442,910,420	1,216,810,735	1,415,307,693
Security deposits	1,776,006,705	1,641,789,987	1,667,515,060	1,580,476,636

As at December 31, 2024 and 2023, the Company has no financial instrument measured at fair value. In 2024 and 2023, 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 carrying values of the other financial instruments of the Company as at December 31, 2024 and 2023 approximate their fair values due to the short-term nature of the transactions.

### 21 Basic and diluted earnings per share

The Company's earnings per share for the years ended December 31 is computed as follows:

	2024	2023	2022
Net income	7,317,064,621	5,030,544,039	2,887,563,036
Weighted average number of common shares	2,789,236,279	1,932,495,456	1,510,292,379
Basic and diluted earnings per share	2.62	2.60	1.91

The Company also assessed that there were no potential dilutive common shares in 2024, 2023, and 2022.

### 22 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 operations on its four parcels of land, nine condominium units, fourteen stand-alone buildings, and five mixed used properties are its only income-generating activity, and such is the measure used by management in allocating resources.

There were no revenue transactions with external customers which accounted for 10% or more of the total revenues for the year ended December 31, 2023 (2022 - two external customers amounting to P395.04 million and P263.52 million, respectively; 2021 - two external customers amounting to P376.67 million and P253.04 million, respectively).



## 23 Notes to statement of cash flows

Disclosed below is the roll forward of liabilities under financing activities:

*For the year ended December 31, 2024*

	January 1, 2024	Cash flows	Other changes	December 31, 2024
Short-term and long-term debt (a)	3,000,000	(1,000,000)	-	2,000,000
Lease liabilities (b)	1,216,810,735	(55,230,077)	86,710,186	1,248,290,844
Interest payable (b)	-	(167,123,540)	170,545,762	3,422,222
<b>Total liabilities from financing activities</b>	<b>1,219,810,735</b>	<b>(223,353,617)</b>	<b>257,255,948</b>	<b>1,253,713,066</b>

*Other changes pertain to:*

*(a) Amortization of bond issue costs*

*(b) Interest expense and other charges*

*For the year ended December 31, 2023*

	January 1, 2023	Cash flows	Other changes	December 31, 2023
Short-term and long-term debt (a)	3,277,693,930	(300,000,000)	22,306,070	3,000,000,000
Lease liabilities (b)	1,186,580,358	(53,896,170)	84,126,547	1,216,810,735
Interest payable (b)	898,625	(94,843,339)	93,944,714	-
<b>Total liabilities from financing activities</b>	<b>4,465,172,913</b>	<b>(448,739,509)</b>	<b>200,377,331</b>	<b>4,216,810,735</b>

*Other changes pertain to:*

*(a) Amortization of bond issue costs*

*(b) Interest expense*

*For the year ended December 31, 2022*

	January 1, 2022	Cash flows	Other changes	December 31, 2022
Short-term debt (a and b)	890,000,000	(590,000,000)	2,977,693,930	3,277,693,930
Lease liabilities (c)	1,153,980,830	(49,232,653)	81,832,181	1,186,580,358
Long-term debt (b and c)	2,957,472,367	-	(2,957,472,367)	-
Interest payable (b and c)	905,750	(100,256,144)	100,249,019	898,625
<b>Total liabilities from financing activities</b>	<b>5,002,358,947</b>	<b>(739,488,797)</b>	<b>202,302,763</b>	<b>4,465,172,913</b>

*Other changes pertain to:*

*(a) Amortization of bond issue costs*

*(b) Reclassification from long-term debt to short-term debt*

*(c) Interest expense*

The Company's non-cash investing and financing activities are as follows:

### *Investing/Financing*

- Addition in investment properties amounting to P28,602.82 million related to the property-for-share swap agreement for the year ended December 31, 2024 (2023 - P22,479.70 million; 2022 - P11,257.89 million) (Notes 5 and 16). The Company has issued capital stock in exchange for these properties amounting to P8,412.59 million (2023 - P6,075.59 million; 2022 - P2,521.36 million), with additional paid in capital of P20,190.23 million (2023 - P16,404.10 million; 2022 - P11,257.89 million) (Note 11).
- Decrease in fair value of investment properties, gross of lease commissions and straight-line adjustment, amounted to P43.37 million for the year ended December 31, 2024 (2023 - increase of P201.35 million; 2022 - decrease of P544.18 million) (Note 5).

## **24 Events after the end of the reporting period**

On February 19, 2025, the Board of Directors of the Company, at its regular meeting, approved the declaration of cash dividends of P0.58 per outstanding common share for the fourth quarter of 2024. The cash dividends amounting to P1,861.72 million will be payable on March 21, 2025 to stockholders on record as at March 5, 2025.

On February 19, 2025, the Board of Directors approved the acquisition of commercial properties located in Cebu, Davao, and Cagayan de Oro from Ayala Land, Inc., and subsidiaries, Accendo Commercial Corp. (Accendo), Cagayan de Oro Gateway Corp. (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI). The Board approved a property- for-share swap transaction with a transaction value of P20.99 billion at exchange price of P41.50 per share, subject to the approval of the Company's shareholders on April 24, 2025.

## **25 Summary of material accounting policies**

### **25.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards; and
- interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

#### *Basis of measurement*

The financial statements of the Company have been prepared using the historical cost basis, except for investment properties which are measured at fair value.

The preparation of financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 19.

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

#### *Functional and presentation currency*

The financial statements of the Company are presented in Philippine Peso. All amounts are rounded off to the nearest Philippine Peso unless otherwise stated.

## 25.2 Adoption of amended accounting standards and interpretation

### *(a) Amendments to existing standards adopted by the Company effective January 1, 2024*

The following amendments to existing standards have been adopted by the Company effective January 1, 2024:

- PAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants)*

Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 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).

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/non-current classification of a convertible note.

The amendments have been applied retrospectively in accordance with the normal requirements in PAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

- Amendments to PFRS 16, *'Lease Liability in a Sale and Leaseback'*

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 recognising 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.

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, 2024 reporting period and have not been early adopted by the Company:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to PFRS 9 and PFRS 7 (*Effective beginning on or after January 1, 2026*)

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  - add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  - update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).
- PFRS 18 Presentation and Disclosure in Financial Statements (*Effective beginning on or after January 1, 2027*)

PFRS 18 will replace PAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Company's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of PFRS 18 will have no impact on the Company's net profit, the Company expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Company has performed, the following items might potentially impact operating profit:
- Foreign exchange differences currently aggregated in the line item 'other income and other gains/(losses) - net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
- PFRS 18 has specific requirements on the category in which derivative gains or losses are recognised - which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the Company currently recognises some gains or losses in operating profit and others in finance costs, there might be a change to where these gains or losses are recognised, and the Company is currently evaluating the need for change.

The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be separately presented in the statement of financial position, the Company will disaggregate goodwill and other intangible assets and present them separately in the statement of financial position.

The Company does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:

- management-defined performance measures;
- a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
- for the first annual period of application of PFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying PFRS 18 and the amounts previously presented applying PAS 1.

From a cash flow statement perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Company will apply the new standard from its mandatory effective date of January 1, 2027.

Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

There are no other new standards, interpretations and amendments to existing standards not yet effective as at December 31, 2024 reporting period that are considered to be relevant or have a material impact on the Company's financial statements.

### **25.3 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. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

#### **25.3.1 Financial assets**

##### *Initial recognition and measurement*

The Company's financial assets are classified, at initial recognition, as subsequently measured at amortized cost.

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. 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, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. 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.

##### *Subsequent measurement - Financial assets at amortized cost (debt instruments)*

The Company's financial assets at amortized cost are classified as such 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 SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

### **25.3.2 Financial liabilities**

#### *Initial recognition and measurement*

The Company's financial liabilities include accounts and other payables, security deposits, construction bonds, short-term and long-term debt, and lease liabilities.

All financial liabilities are recognized initially at fair value, and, in the case of loans, borrowings and payables, net of any directly attributable transaction costs.

The Company's 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 Interest expense and other charges in profit or loss.

### **25.3.3 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.



#### **25.3.4 Impairment of financial assets**

The Company recognizes an allowance for ECL for all debt instruments not held at FVTPL. 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 accessible from reputable credit rating agencies 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 the ECL.

For receivables (comprising trade, finance lease, due from related parties and other receivables), the Company applies a simplified approach in calculating ECL. Therefore, the Company recognizes a loss allowance based on lifetime ECL 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 180 days past due since security deposits and advance rentals are equivalent to 90 days each which are paid at the start of the lease term which will cover any default. 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.

#### **25.4 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 non-financial 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 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 properties. 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.

### **25.5 Investment properties**

Investment properties comprise 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 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.

The Company recognizes property-for-share swap transactions as share-based payment transactions under PFRS 2, '*Share based payments*'. The property received is measured at its fair value at the date of acquisition. The relevant shares issuance recorded in paid-up capital is measured at par value, while the excess of fair value over par value is recognized as additional paid-in capital.

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 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 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.

## **25.6 Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that other current assets and other non-current assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's 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 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.

## **25.7 Equity**

### *Paid-up capital and 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 and the par value is credited to APIC.

### *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 of APIC. If APIC is not sufficient, the excess is charged against retained earnings.

### *Treasury shares*

Treasury shares 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.

## **25.8 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 CUSA charges like maintenance, janitorial and security services. Revenue from electricity and water is recognized at a net basis as the Company is acting as an agent, while revenue from CUSA and air conditioning charges is recognized at a gross basis as the Company is acting as principal.

#### *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.

#### *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.

### **25.9 Income outside the scope of PFRS 15**

#### *Rental income*

Rental income under non-cancellable 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.

#### *Interest income*

Interest income is recognized as it accrues using the EIR method.

### **25.10 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.

### **25.11 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 recognizes 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 uses 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*

### *(a) 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 and linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. 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 assets are depreciated on a straight-line basis over the shorter of the estimated useful life or the lease term. The Company accounts for right-of-use assets using the fair value model in accordance with the policy as stated under investment properties. Right-of-use assets are subject to impairment.

### *(b) 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.

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.

## **25.12 Income 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.

## **25.13 Earnings per share**

Basic earnings per share (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.

## **25.14 Segment reporting**

The Company's lease operation is its only segment. Financial information on business segment is presented in Note 22 to the financial statements.

## **25.15 Comparative information**

Certain reclassifications have been made in the prior year to confirm to the current year's presentation. This did not affect the total assets, liabilities, equity and net income that were previously reported.

## 26 Report on the supplementary information required by the BIR

Below is the additional information required by Revenue Regulations (RR) No. 15-2010 that is relevant to the Company. This information is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements.

### (a) Output VAT and input VAT

The National Internal Revenue Code (NIRC) of 1997, as amended, 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 is a VAT-registered entity with VAT output declaration of P678.86 million for the year ended December 31, 2024 based on the vatable sales amounting to P5,657.19 million. Zero-rated sales amounted to P6,442.35 million.

The Company's vatable sales are based on actual collections received, hence, may not be the same as amounts accrued in the statement of total 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.

Movements in input VAT for the year ended December 31, 2024 follow:

	Amount
At January 1, 2024	1,300,452,438
Capital goods not subject to amortization	148,684,636
Input tax on depreciable capital goods not attributable to any specific activity	144,344,101
Domestic purchases/payments for:	
Domestic purchases of services	305,913,434
Purchase of goods other than capital goods	8,922,624
Total input VAT	1,908,317,233
Less: Balance applied against output VAT	(678,863,186)
At December 31, 2024	1,229,454,047

### (b) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2024 amounted to P91.70 million, which pertains to the issuance of new shares and lease contracts of various tenants.

### (c) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2024 consist of:

	Amount
Real property tax	480,453,848
Business permit	152,153,911
Fire permit	1,463,355
Community tax	10,500
BIR annual registration	-
Others	24,224,423
	658,306,037

All other taxes, local and national, including real estate taxes, licenses and permit fees are presented as part of "Taxes and licenses" under Direct operating expenses and General and administrative expenses in the statement of total comprehensive income.



*(d) Withholding taxes*

The amount of withholding taxes paid and accrued for the year ended December 31, 2024 follows:

	Total remittances	Withholding taxes payable	Total
Expanded withholding taxes	115,531,739	59,033,980	174,565,719
Final withholding taxes	95,264,769	26,089,755	121,354,524
	210,796,508	85,123,735	295,920,243

Total remittances pertain to tax payments made for the reporting period covering January 2024 to November 2024. The outstanding withholding taxes payable, included in Taxes payable under "Accounts and other payables" in the statement of financial position, as at December 31, 2024 represents the withholding taxes for the month of December 2024 which were remitted in January 2025.

*(e) Taxes on importation*

The Company has not made any importations in 2024.

*(f) Excise tax*

The Company has no transactions subject to excise tax in 2024.

*(g) Tax assessments and cases*

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR as at December 31, 2024.

**AREIT, Inc.**

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Index to Financial Statements and Supplementary Schedules

As at December 31, 2024

**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. Supplementary Schedule of Long-Term Debt

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Schedule F. Guarantees of Securities of Other Issuers

Schedule G. Capital Stock

**Other Supporting Schedules**

Reconciliation of Retained Earnings Available for Dividend Declaration

Financial Soundness Indicators

Map of the Group of Companies within which the Reporting Entity belongs

**AREIT, Inc.**

Schedule A - Financial Assets  
As at December 31, 2024  
(All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of financial assets	Amounts shown in the statement of financial position	Income received and accrued
Cash in bank*			
Bank of the Philippine Islands	36,679,235	36,679,235	288,346
Deutsche Bank	34,261,713	34,261,713	14,653,014
	70,940,948	70,940,948	14,941,360
Short term investments	-	-	628,228
Receivables**			
Finance lease receivables	19,673,140,935	19,673,140,935	1,162,028,271
Due from related parties	2,763,502,905	2,763,502,905	158,923,565
Trade receivables - billed	1,475,918,230	1,475,918,230	-
Other receivables	2,866,119	2,866,119	-
	23,915,428,189	23,915,428,189	1,320,951,836
	23,986,369,137	23,986,369,137	1,336,521,424

\* See Note 2 to the financial statements.

\*\* See Note 3 to the financial statements.

**AREIT, Inc.**

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal  
Stockholders (Other Than Related Parties)  
As at December 31, 2024

Name and designation of debtor	Balance at the beginning of the period	Additions	Deductions		Current	Non- current	Balance at the end of the period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**AREIT, Inc.**

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of  
financial statements

As at December 31, 2024

Name and designation of debtor	Balance at the beginning of the period	Additions	Deductions		Current	Non- current	Balance at the end of the period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**AREIT, Inc.**

**Schedule D - Supplementary Schedule of Long-Term Debt**  
**As at December 31, 2024**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related Statement of Financial Position	Amount shown under caption “Long-term debt” in related Statement of Financial Position
N/A	N/A	N/A	N/A

**AREIT, Inc.**

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)  
As at December 31, 2024

Name of related party	Balance at the beginning of the period	Balance at the end of the period
N/A	N/A	N/A



**AREIT, Inc.**

Schedule F - Guarantees of Securities of Other Issuers  
As at December 31, 2024

Name of issuing entity of securities guaranteed by the Company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**AREIT, Inc.**

Schedule G - Capital Stock  
As at December 31, 2024

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by directors, officers, and employees	Others
Common	4,050,000,000	3,209,865,985	-	1,977,109,078	7	-
Total	4,050,000,000	3,209,865,985	-	1,977,109,078	7	-

See Note 11 to the financial statements.

**AREIT, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration  
For the year ended December 31, 2024  
(All amounts in Philippine Peso)

<b>Unappropriated Retained Earnings, beginning of the year</b>	5,623,568,552
Add: Category A: Items that are directly credited to Unappropriated retained earnings	
Reversal of retained earnings appropriation/s	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings	
Dividend declaration during the reporting period	5,817,295,249
Retained earnings appropriated during the reporting period	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	- (5,817,295,249)
<b>Unappropriated Retained Earnings, as adjusted</b>	<b>(193,726,697)</b>
Add/Less: Net income (loss) for the current year	7,317,064,621
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized fair value gain of investment property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs (describe nature)	-

(continued)

**AREIT, Inc.****Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2024

Page 2

<hr/>		
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	-	-
<hr/>		
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs, previously recorded (describe nature)	-	-
<hr/>		
Adjusted net income		7,123,337,924
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Unrealized fair value loss of investment property		43,374,600
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-
<hr/>		
(continued)		

**AREIT, Inc.****Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2024

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Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (straight-lining adjustments recorded in rental income)	473,104,893	(473,104,893)

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<b>Total Retained Earnings, end of the year available for dividend declaration</b>		<b>6,693,607,631</b>
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**AREIT, Inc.**

Financial Soundness Indicators  
As at December 31, 2024  
(With comparative figures as at December 31, 2022 and 2021)  
(All amounts are in Philippine Peso, unless otherwise stated)

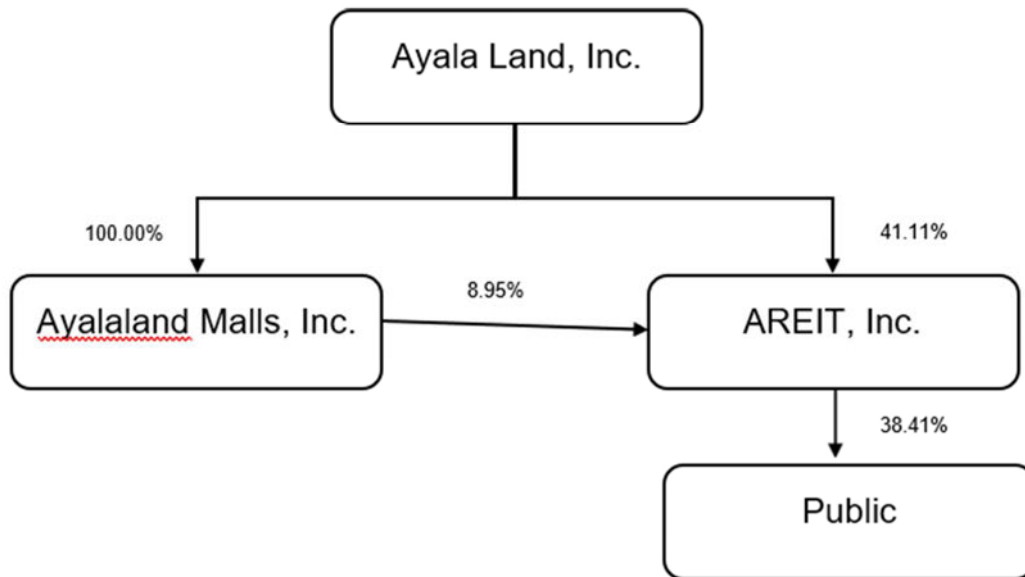
Ratio	Formula		2024	2023	2022
A. Current and liquidity ratios					
1. Current ratio	Total current assets	4,557,171,311	0.83	0.80	0.43
	Divided by: Total current liabilities	5,506,434,066			
	Current ratio	0.83			
2. Acid test ratio	Total current assets	4,557,171,311	0.76	0.77	0.39
	Less: Other current assets	(348,036,017)			
	Quick assets	4,209,135,294			
	Divided by: Total current liabilities	5,506,434,066			
	Acid test ratio	0.76			
B. Solvency ratio					
	Net income	7,317,064,621	3.66	1.68	0.88
	Add: Depreciation	290,415			
	Net income before depreciation	7,317,355,036			
	Divided by: Total debts*	2,000,000,000			
Solvency ratio`	3.66				
C. Debt-to-equity ratio					
	Total debts	2,000,000,000	0.02	0.04	0.05
	Divided by: Total equity	113,370,522,522			
	Debt-to-equity ratio	0.02			
D. Asset-to-equity ratio					
	Total assets	123,222,682,941	1.09	1.12	1.13
	Divided by: Total equity	113,370,522,522			
	Asset-to-equity ratio	1.09			
E. Interest rate coverage ratio					
	EBITDA**	7,508,456,152	23.51	21.25	15.71
	Divided by: Interest expense	319,328,672			
	Interest rate coverage ratio	23.51			
F. Profitability ratios					
1. Return on assets (%)	Net income	7,317,064,621	7%	6%	5%
	Divided by: Average total assets	108,247,487,696			
	Return on assets (%)	7%			
2. Return on equity (%)	Net income	7,317,064,621	7%	7%	5%
	Divided by: Average total equity	98,390,179,666			
	Return on equity (%)	7%			
3. Net profit margin	Net income	7,317,064,621	0.71	0.70	0.57
	Divided by: Total revenues	10,259,166,947			
	Net profit margin	0.71			

\* Total debts includes short-term debt, long-term debt, and current portion of the long-term debt

\*\* EBITDA refers to earnings before interest expense and other charges, taxes, and depreciation, and excludes net fair value change in investment properties, interest income, non-recurring gain under finance lease and other income

**AREIT, Inc.**

Map of the Group of Companies within which the Reporting Entity belongs  
As at December 31, 2024



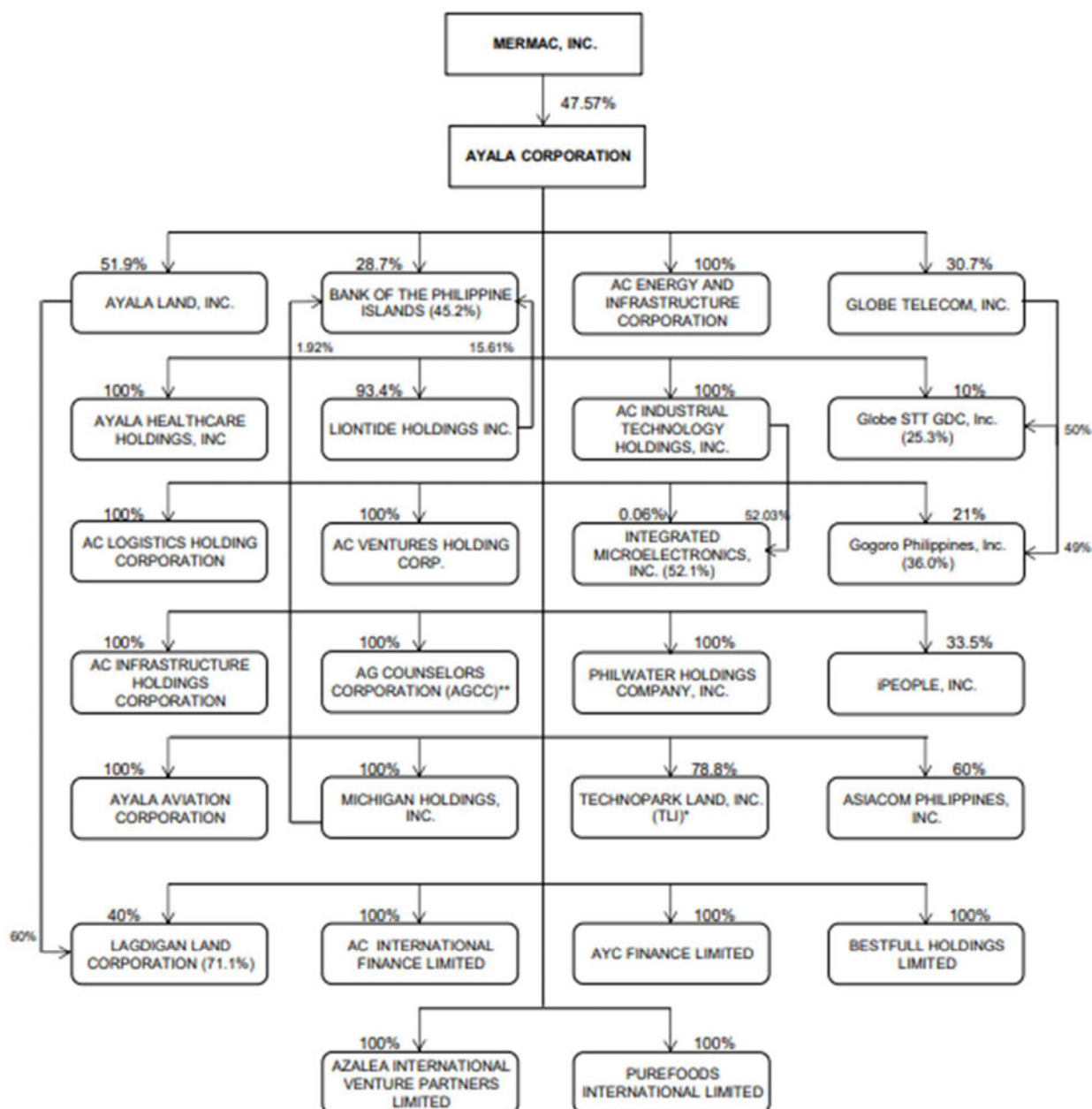


# AREIT, Inc.

## Map of the Group of Companies within which the Reporting Entity belongs

As at December 31, 2024

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### Legend:

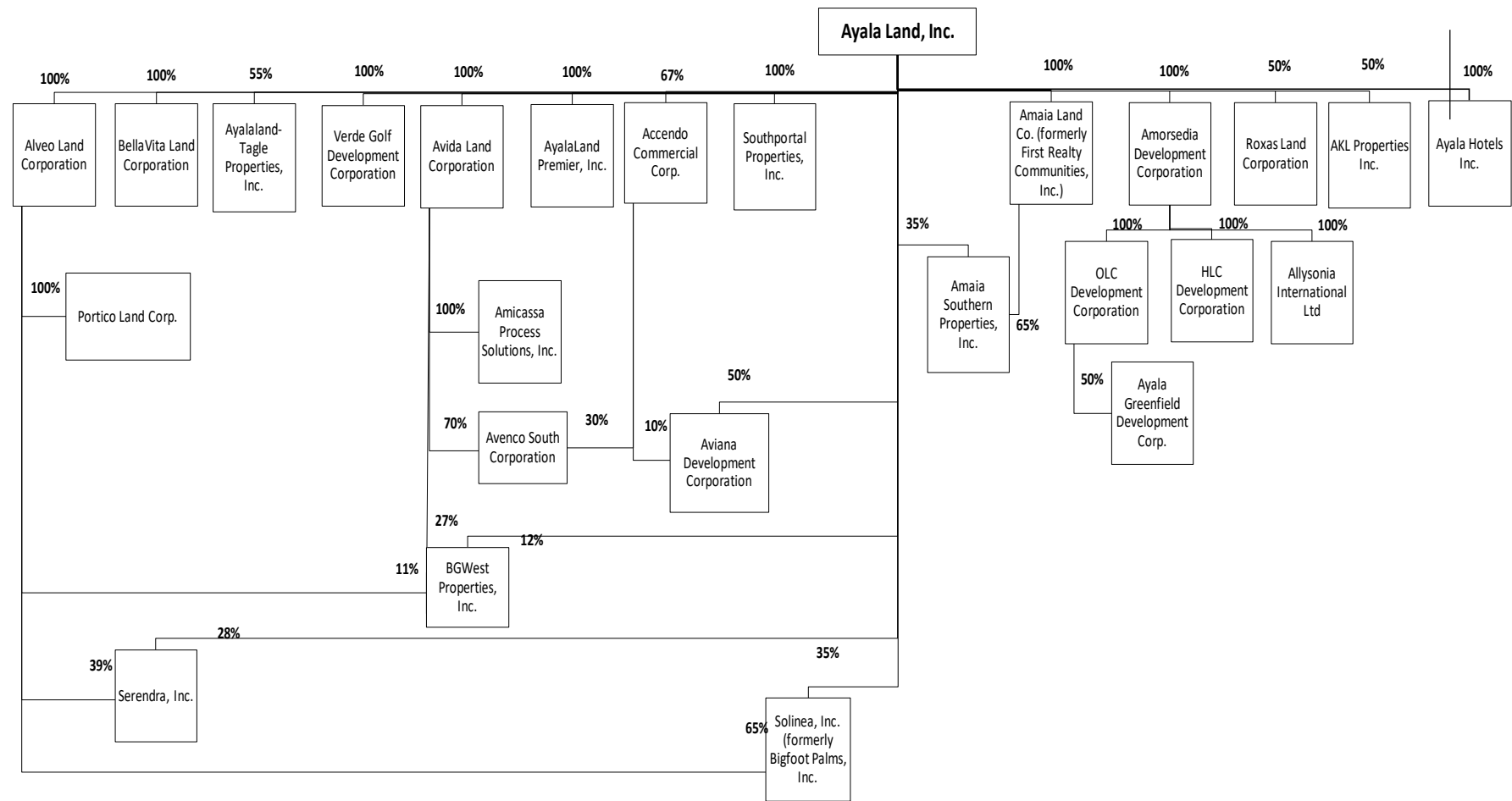
% of ownership appearing outside the box - direct % of economic ownership

% of ownership appearing inside the box - effective % of economic ownership

\*On December 10, 2021, the BOD and stockholders of TLI approved the plan to shorten its corporate term to June 30, 2023. On December 23, 2021, the SEC approved the amendment of the Fourth Article of the Articles of Incorporation to shorten the corporate term to June 30, 2023. It is anticipated that it will not carry out any significant business operation or activity until approval of closure from other regulatory bodies.

\*\*On January 6, 2025, the SEC approved the amendment to AGCC's AOI including (1) the change of its corporate name to ACX Holdings Corporation, and (2) the change in its business from a business of advisory, consultancy assistance and other allied services, into a holding company with principal business interest in the consumer retail space.

**AREIT, Inc.**  
**Map of the Group of Companies within which the Reporting Entity belongs**  
As at December 31, 2024  
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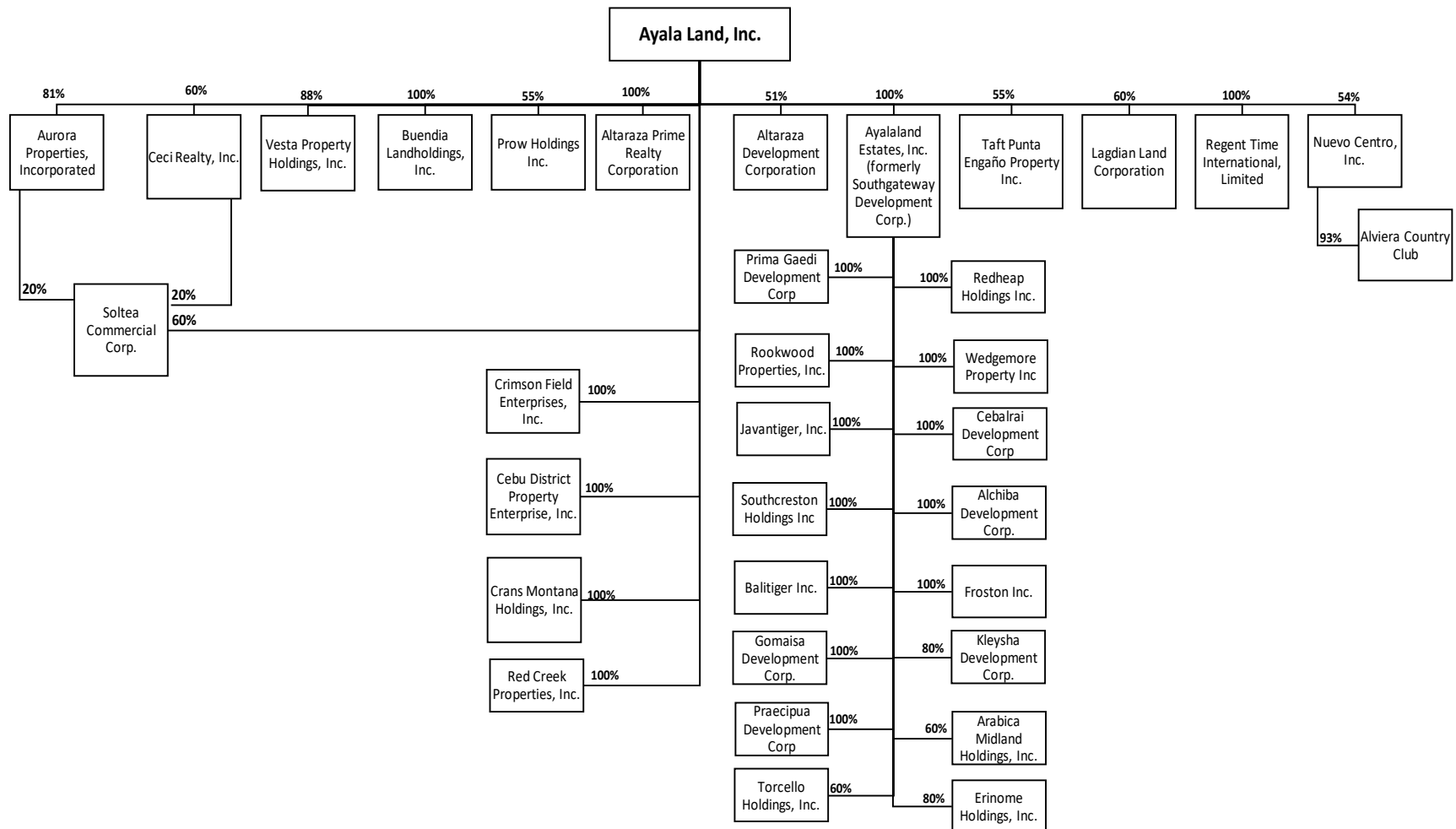


**AREIT, Inc.**

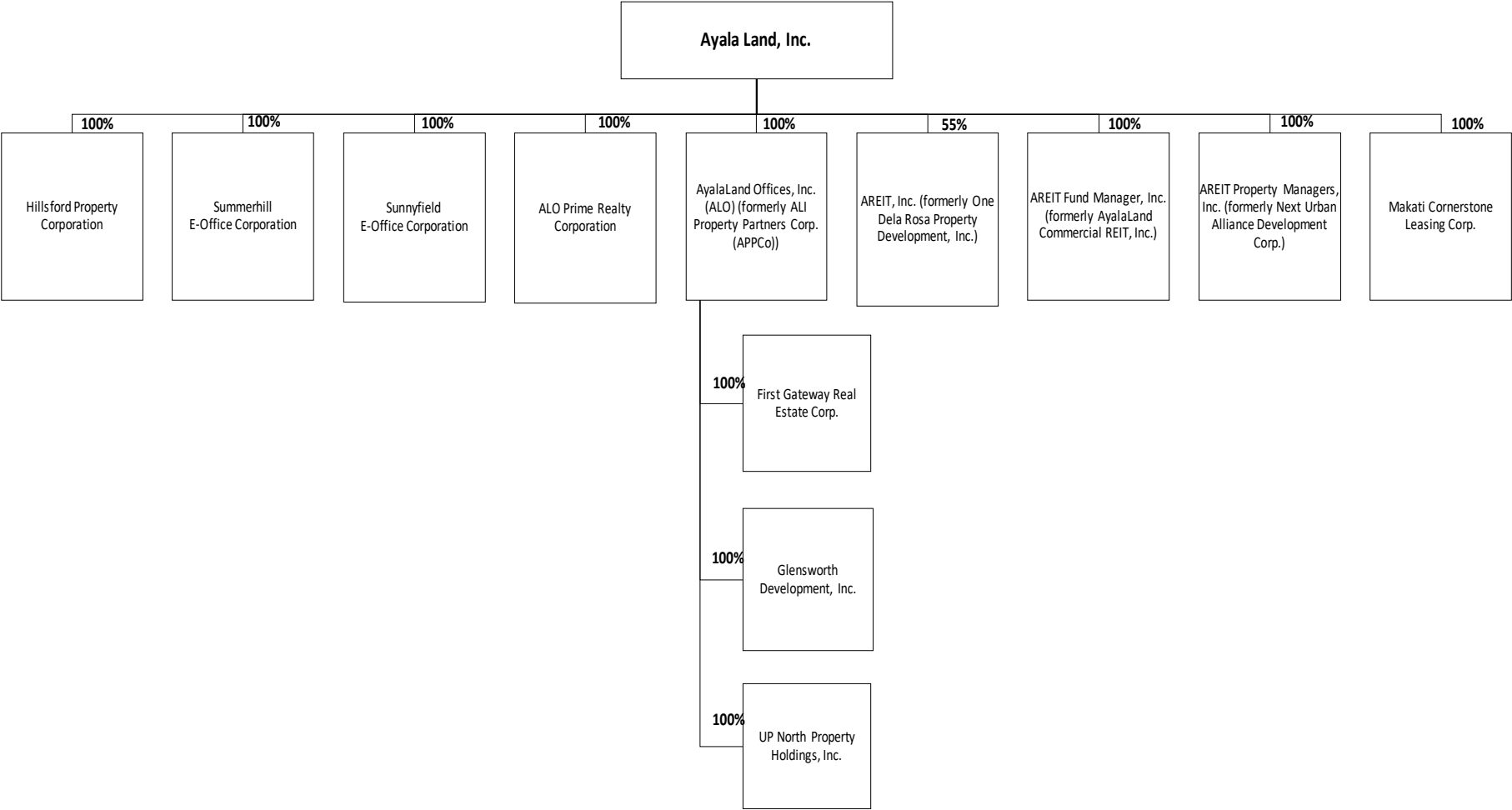
**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2024

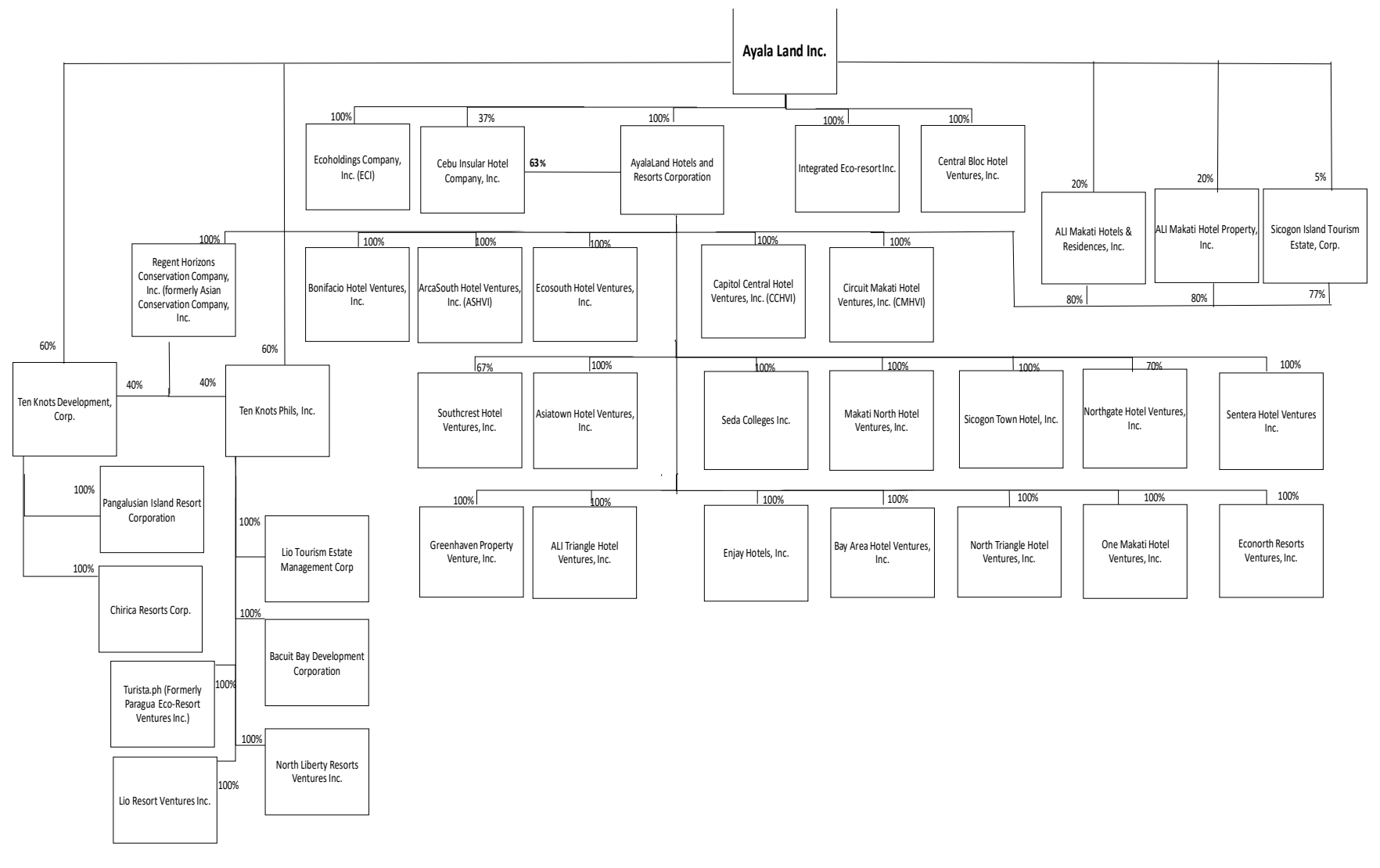
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**AREIT, Inc.**  
**Map of the Group of Companies within which the Reporting Entity belongs**  
As at December 31, 2024  
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**AREIT, Inc.**  
**Map of the Group of Companies within which the Reporting Entity belongs**  
As at December 31, 2024  
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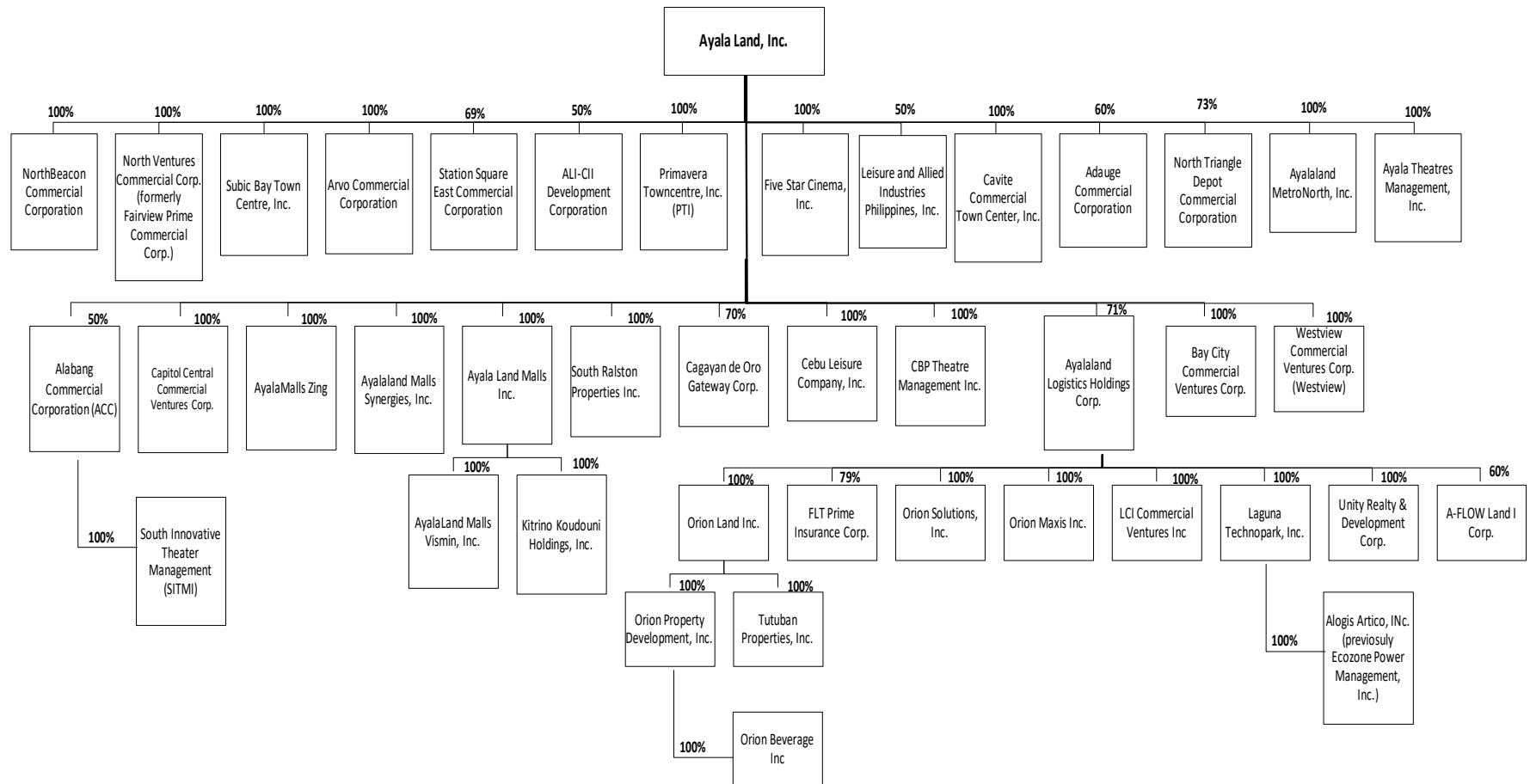


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2024

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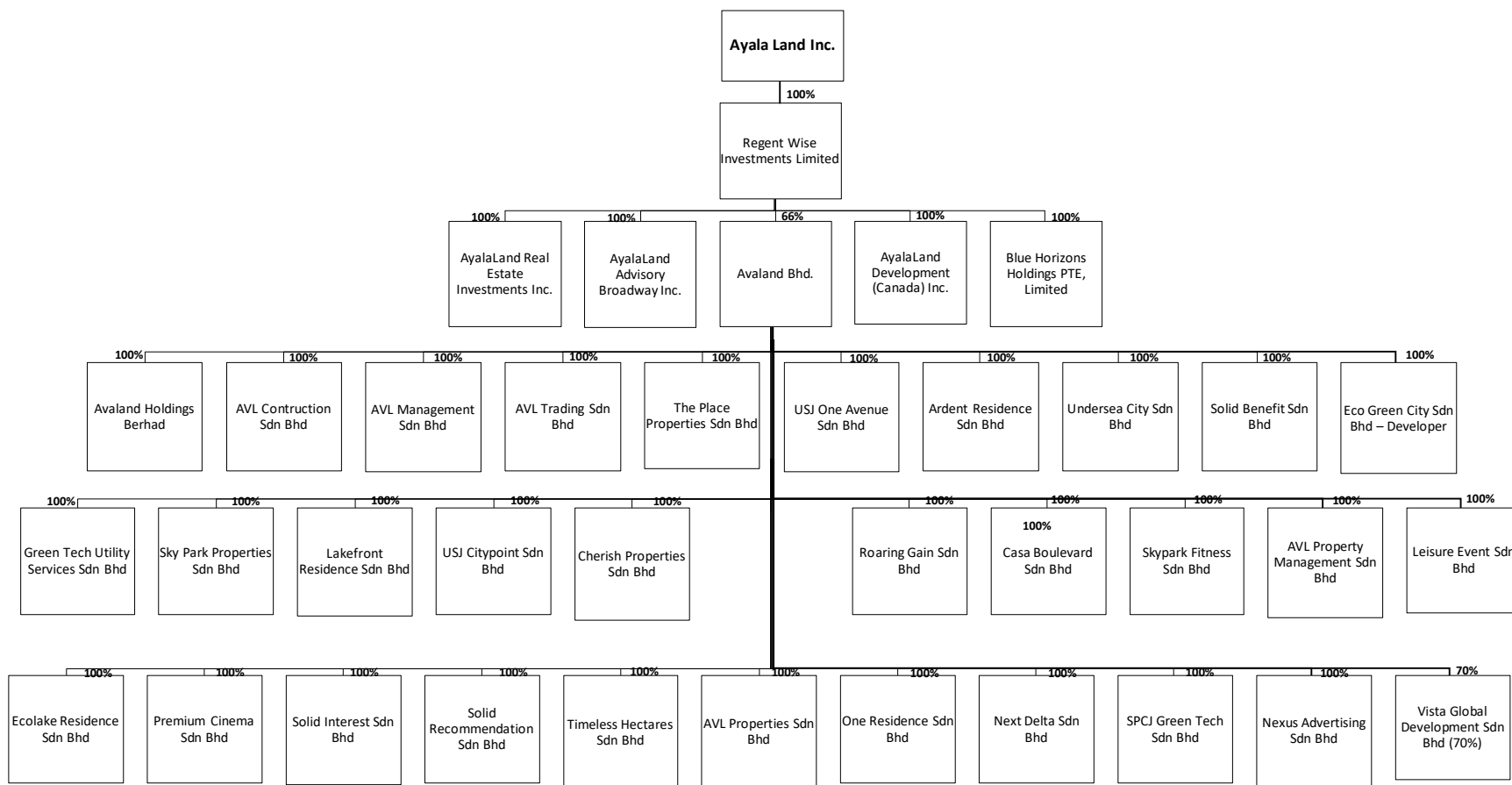


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2024

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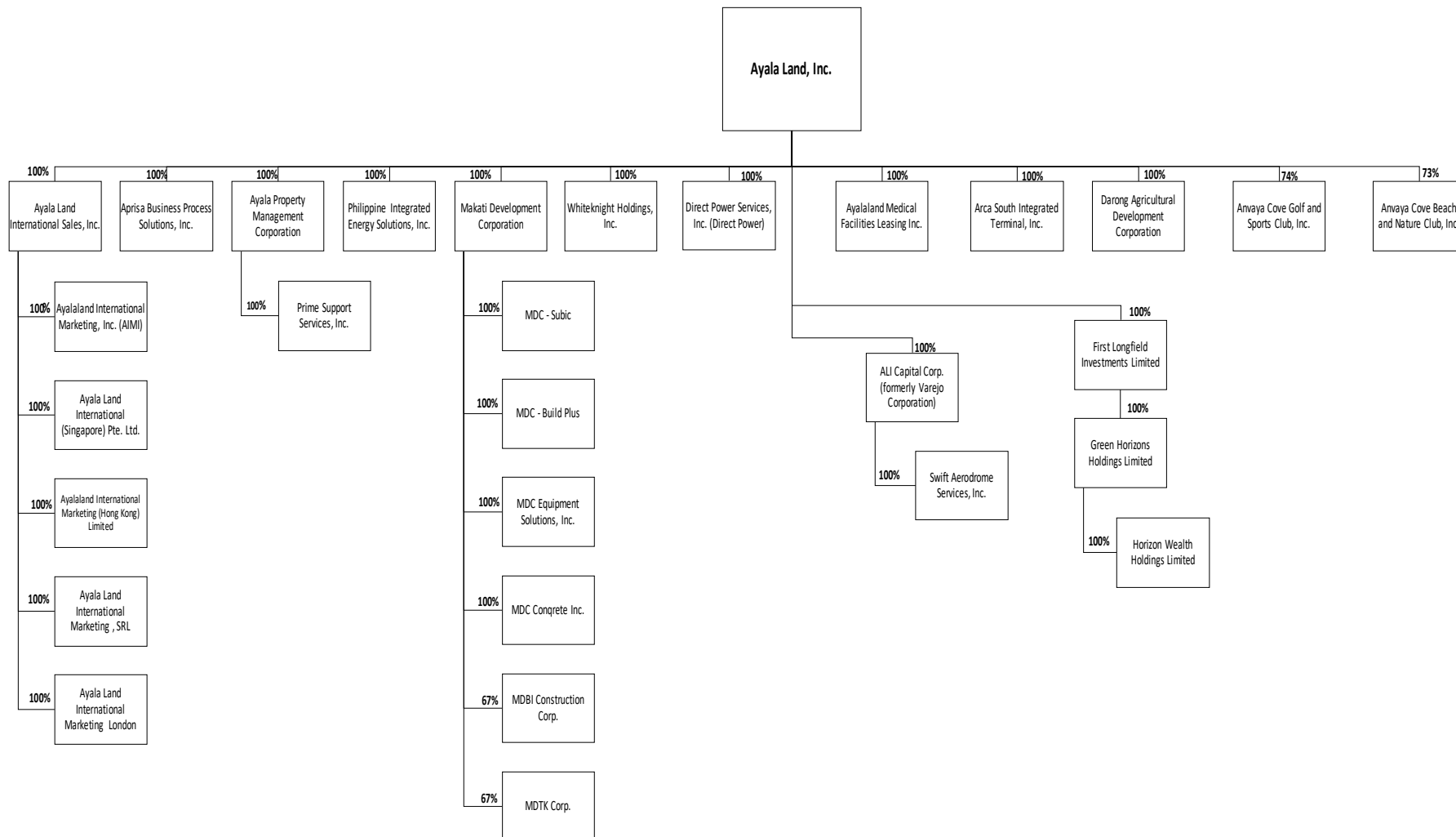


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

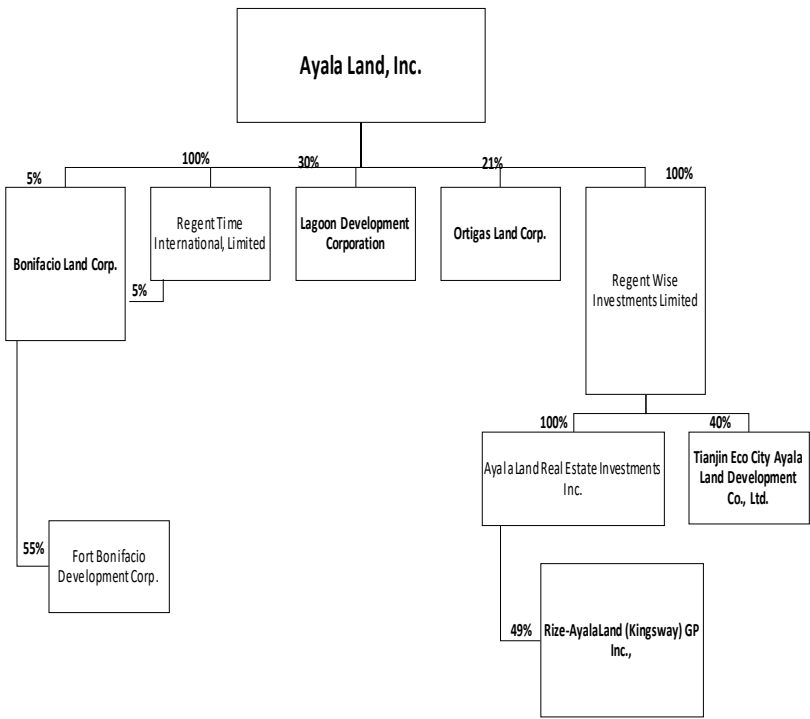
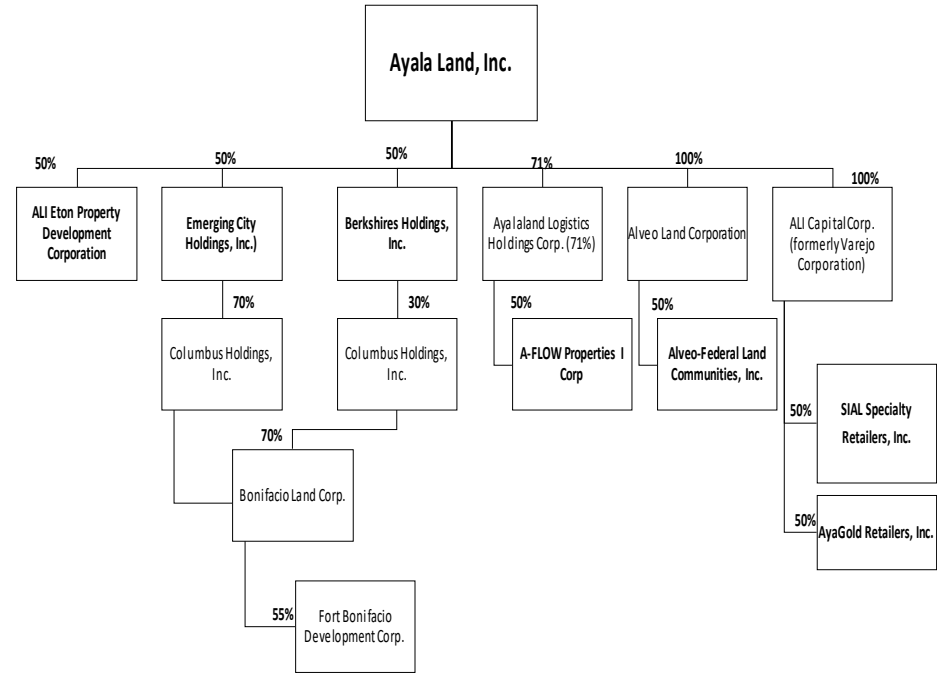
As at December 31, 2024

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Investments in Joint Ventures

Investments in Associates



**AREIT, Inc.****SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE- RELATED INFORMATION**

As at December 31, 2024 and 2023

Amounts in Philippine Peso (PHP)

	<b>2024</b>	<b>2023</b>
<b>Total Audit Fees (excluding OPE)</b>		
Regular Audit	840,000	800,000
Audit-related (AUP for reinvestment plan)	35,000	-
Total audit fees	875,000	800,000
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	1,250,000
All other services	-	-
Total non-audit fees	-	1,250,000
<b>Total audit and non-audit fees</b>	<b>875,000</b>	<b>2,050,000</b>