



Annual Stockholders' Meeting

25 April 2007
Manila Peninsula Hotel



Website: www.sminvestments.com

Retail Merchandising

SM Department Stores
SM Supermarkets
SM Hypermarkets

Mall Operations

SM Prime Holdings, Inc.

Banking

Banco de Oro
Equitable PCIBank
China Banking Corp.

Property

SM Development Corp.
SM BayCity
Hamilo
Highlands Prime Inc.
Taal Vista Hotel





President's Report

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Presentation Outline

- Review of 2006 Operations
 - Financial review
 - Retail
 - Mall operations
 - Banking
 - Property

SM Price Chart



2006 Financial Highlights

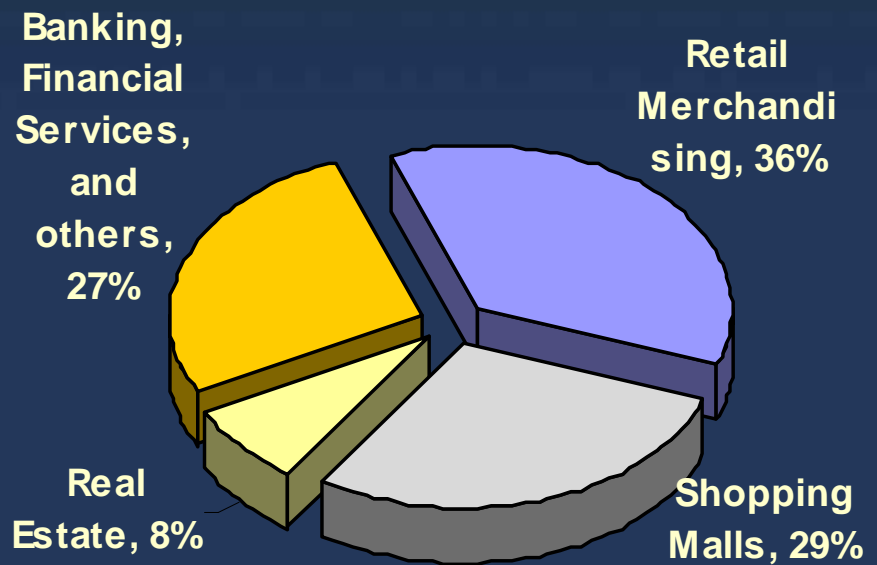
- Recurring income grew 20% to Php7.1 billion
- Revenues was boosted by the acquisition of SM supermarkets and hypermarkets, in addition to growth from expansion of all core businesses

| (Php Bn) | 2006 | % Chg |
|-------------------------|-------|-------|
| Revenues | 88.7 | 64.4 |
| Gross Profit | 16.2 | 30.4 |
| Other Income/(Expenses) | 2.6 | 109.5 |
| Net Profit Before Tax | 18.8 | 37.5 |
| Net Income | 10.6 | 31.7 |
| Minority Interest | 4.7 | 41.8 |
| Return on Equity (%) | 11.6 | -- |
| Interest Cover (x) | 4.2x | -- |
| EBITDA (Php bn) | 19.6 | -- |
| EBITDA Margin (%) | 22.2% | -- |
| Net Margin (%) | 11.9% | -- |

Net Income Profile

- Most of the group's income are still derived from three key areas namely retail merchandising, mall operations and banks;
- But the property group is fast catching up.

**Net Income Profile
January to December 2006**



2006 Financial Highlights

- SM's balance sheet remains strong
- Total assets expanding by 33.6%
- Net debt is down to 15% from 20% in 2005
- Despite the increase in shares outstanding, book value per share still grew by 19% to Php176

| (Php Bn) | 2006 | % Chg |
|--------------------------------|----------------|--------------|
| Total Assets | 227.1 | 33.6 |
| Current Assets | 59.6 | 109.8 |
| Non-current Assets | 167.5 | 18.3 |
| Current Liabilities | 52.3 | 103.1 |
| Non-current Liabilities | 43.8 | 3.8 |
| Total Liabilities | 96.2 | 41.4 |
| Stockholder's Equity | 130.9 | 28.4 |
| Book Value/share (Php) | 176.3 | 19.2 |
| Debt/Equity Ratio (%) | 34%:66% | -- |
| Net Debt (Php bn) | 17.7 | -- |
| Net Debt/Equity (%) | 15:85 | -- |

Retail Merchandising

- SM Department Stores opened 4 branches in Sta. Rosa, Clark, Lipa and Pasay increasing selling area by 17% to 350,455 sqm.
- SM acquired 28 supermarkets and 9 hypermarkets, which effectively doubled the revenue and income base of SM's retail operations.

2006
Gross Revenues



Php42.2 billion



Php30.6 billion



Php10.2 billion

Php83.0 billion

Statistics



| Jan-Dec 2006 | SM Dept. Stores | SM Supermarkets | SM Hypermarkets | Total Retail |
|----------------------------|-----------------|-----------------|-----------------|--------------|
| Revenues (Php bn) | 42.2 | 30.6 | 10.2 | 83.0 |
| Net Income (Php bn) | 1.2 | 0.9 | 0.4 | 2.5 |
| Net Margins (%) | 2.7 | 3.0 | 4.4 | 3.1 |
| Return on Equity (%) | 44.4 | 32.9 | 62.3 | 41.2 |
| 2006: Total No. of Stores | 29 | 28 | 9 | 66 |
| 2007Est: No. of new stores | 2 | 3-4 | 3-4 | 8-10 |
| Capex 2007 (Php bn) | 1.5 | 0.3 | 0.4 | 2.2 |

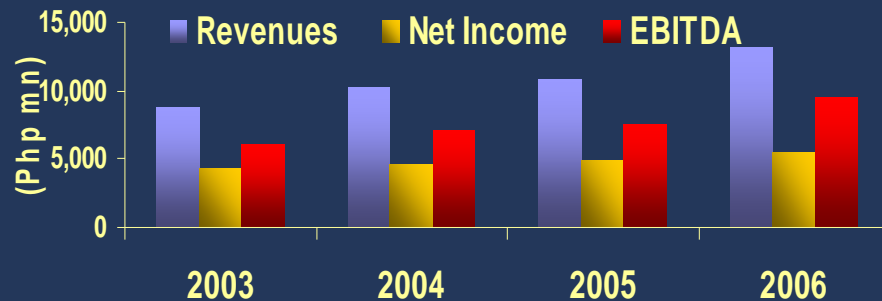
Mall Operations

- SM Prime recorded its largest expansion ever including the 386,000 sqm SM Mall of Asia
- Added with five new malls.
- Increased GFA by 700,000 sqm or 23% to 3.6 million sqm.

| Mall | Date Opened | Gross Floor Area (sqm) |
|-----------------------|-------------|------------------------|
| SM City Sta. Rosa | Feb 17 | 79,000 |
| SM City Clark | May 12 | 99,000 |
| SM Mall of Asia | May 21 | 386,000 |
| SM Super-center Pasig | Aug 19 | 29,000 |
| SM City Lipa | Sep 22 | 72,000 |
| Total | | 665,000 |

Financial Highlights

- Full year 2006 performance:
 - Operating margin: 58%
 - EBITDA: Php9.4 billion
 - EBITDA margin: 71%
 - Net margin: 41%



| (in Php million) | January to December | | |
|---------------------------------|---------------------|--------|-------|
| | 2006 | 2005 | % chg |
| Revenues | 13,222 | 10,905 | 21% |
| Operating Expenses | 5,565 | 4,850 | 15% |
| Income from Operations | 7,657 | 6,055 | 26% |
| Other Income | 346 | 910 | -62% |
| Income Before Minority Interest | 5,750 | 5,250 | 10% |
| Minority Interest | 301 | 277 | 9% |
| Net Income | 5,449 | 4,973 | 10% |

Mall Expansion Program

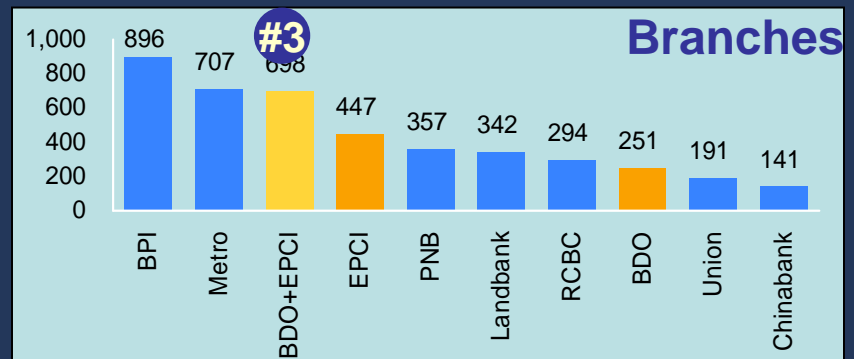
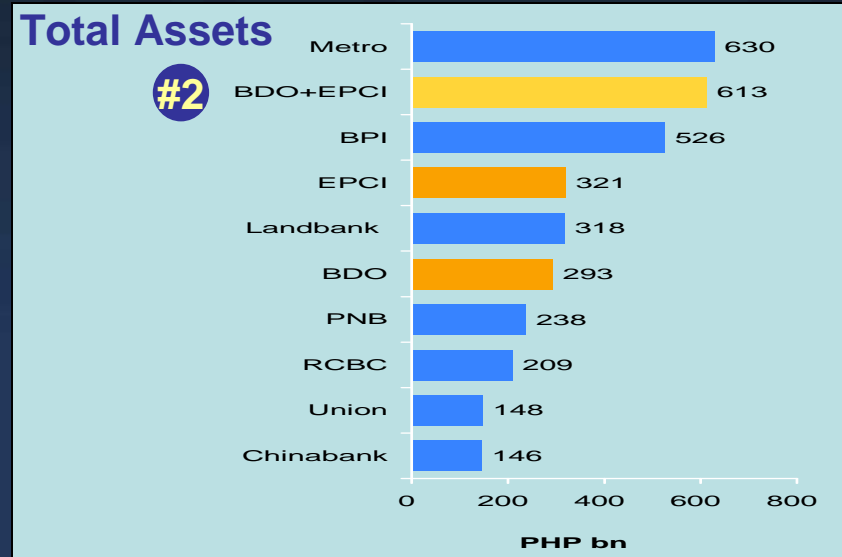
| Year Opening | | Gross Floor Area (s.q.m.) |
|---------------------|------------------------------------|----------------------------------|
| 2007 | SM City Bacolod | 61,000 |
| | SM City Cebu Expansion | 107,000 |
| | SM City Pampanga Expansion | 18,000 |
| | SM City Fairview Expansion | 23,000 |
| | SM City Taytay | 92,000 |
| | SM Supercenter – Muntinlupa | 52,000 |
| | Total GFA | 353,000 |
| | Number of Malls in 2007 | 30 |
| 10% inc. | GFA in 2007 (in sq. m.) | 3.9 million |
| | Estimated CAPEX in 2007 | Php7.0 billion |

Banking and Financial Services

| Php Bn | BDO | | EPCIB | | China Bank | |
|---------------------|-------|-------|--------|-------|------------|-------|
| | 2006 | % Chg | 2006 | % Chg | 2006 | % Chg |
| Net Interest Income | 8.33 | 21.8% | 10.96 | 2.9% | 6.12 | 4.8% |
| Other Income | 5.16 | 30.5% | 12.47 | 30.5% | 3.33 | 8.9% |
| Interest Expense | 10.97 | 37.4% | 8.68 | 3.3% | 5.07 | 16.3% |
| Net Income | 3.13 | 23.0% | 3.27 | 21.0% | 3.53 | 10.9% |
| ROE | 13.7% | -- | 12.18% | -- | 15.1% | -- |
| Assets | 304 | 30.2% | 345 | 10.6% | 156 | 17.5% |
| Capital | 24 | 20.7% | 46 | 26.8% | 25 | 13.9% |
| Deposits | 230 | 43.6% | 240 | 16.2% | 122 | 18.7% |
| Loans | 137 | 33.9% | 178 | 10.3% | 71 | 15.2% |
| NPL (%) | 4.1% | -- | 4.39% | -- | 6.5% | -- |
| NPA (%) | 3.5% | -- | 7.5% | -- | 4.0% | -- |

BDO-EPCIB Merger

- The merged entity will become one of the country's largest banks in assets, deposits and loan base
- Strong nationwide platform for selling traditional and non-traditional products
- Overlapping branches can be consolidated and redeployed to new markets



Property

- Property revenues starts to build up from residential projects
- Commercial revenues will come on stream 4th qtr 2007
- Tourism project, Hamilo is now selling condo units and club shares

| Jan to Dec 2006 | Total Property |
|-----------------------------------|----------------|
| Revenues (Php bn) | 1.6 |
| Net Income (Php bn) | 0.83 |
| Net Margins (%) | 51.8% |
| Estimated Capex for 2007 (Php bn) | 7.05 |

Commercial Development



SMX Convention Center



OneE-Com Center

SM BayCity



Tourism



2007 Estimated Capex Summary

- Estimated capex for the group in 2007 is Php 20 bn
- SM to directly fund Php7.5 bn:
 - Php 4 billion for the acquisition of EPCIB shares
 - Php 3.5 billion for the SM BayCity and Hamilo projects
- The rest will be funded by the respective operating companies
- EBITDA stood at Php15 bn as of end Sept 2006

| Estimated Capex | (Php bn) |
|-----------------|----------|
| Retail | 2 |
| Mall Operations | 7 |
| Banking | 4 |
| Property | 7 |
| Total | 20 |



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