



SM INVESTMENTS



20 Years of **Driving Progress**

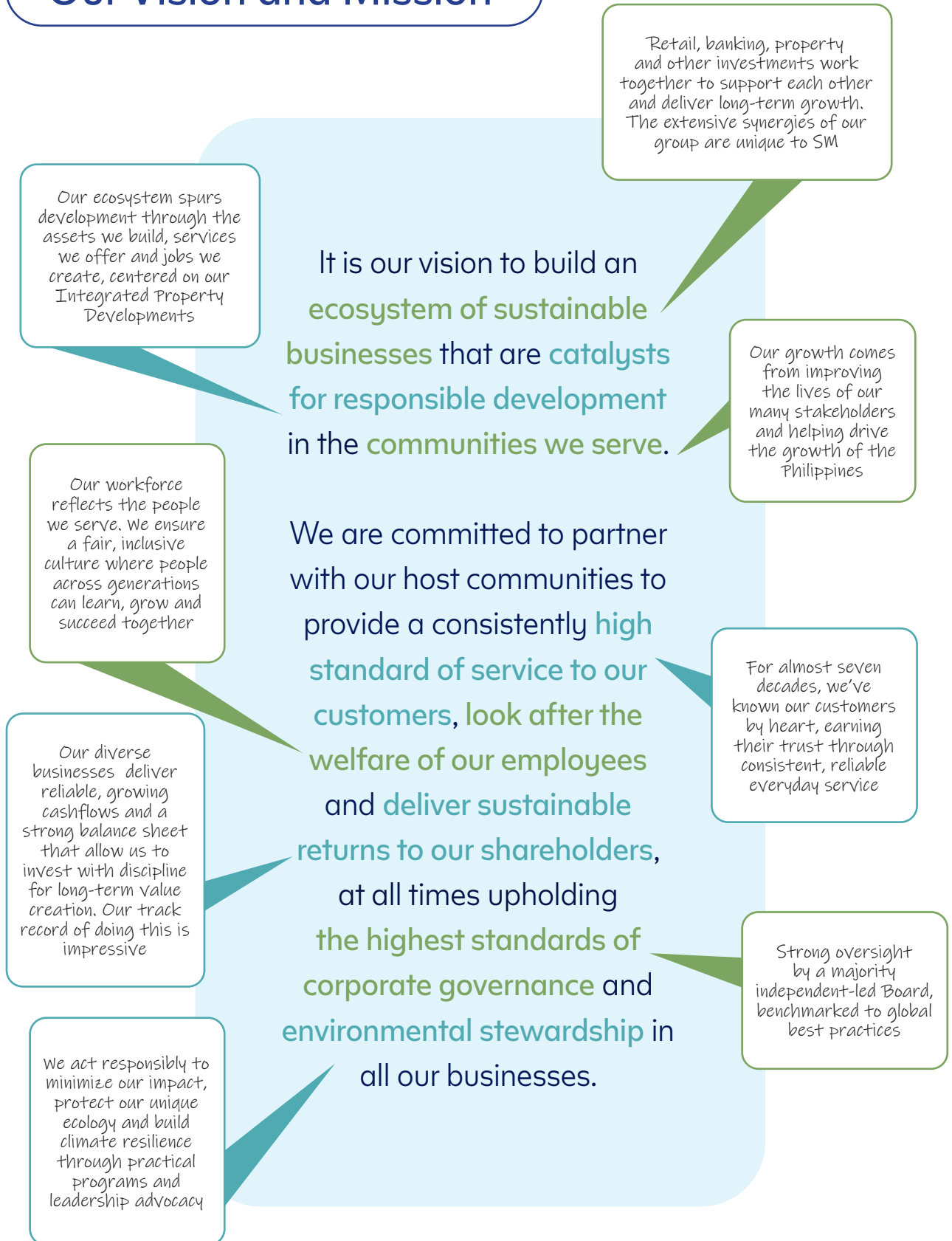
2025 Financial Supplement

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Our Vision and Mission



For a company as big as SM Investments, every word in this statement is chosen carefully. Each one reflects how we see ourselves, the world and the role we play in it.

Statement of Management's Responsibility for Financial Statements

The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, in accordance with Philippine Financial Reporting Standards Accounting Standards. Management is also responsible for such internal controls as it determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management assesses the Group's ability to continue operating in the foreseeable future, discloses any relevant matters affecting this assessment, and applies the going concern basis of accounting unless it intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein and submits them to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Amando M. Tetangco, Jr.
Chairman of the Board



Frederic C. DyBuncio
President and
Chief Executive Officer



Erwin G. Pato
Treasurer and
Executive Vice President

Signed this 27th day of February 2026

Report of the Audit Committee

The Audit Committee (“Committee”) assists the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of SM Investments Corporation’s (SMIC or the “Company”) financial reporting, internal control system, internal and external audit processes, and compliance with relevant laws and regulations. Likewise, the Committee oversees special investigations as may be necessary.

The Committee is composed of four (4) non-executive and independent directors. The Committee members have relevant background, knowledge, skills and experience in the areas of finance and accounting, audit, risk management, information technology, and corporate governance. In 2025, they attended an annual corporate governance training program approved by the Securities and Exchange Commission (SEC) through an SEC-accredited training provider. The Committee also performed the annual self-assessment/evaluation and reviewed its performance against its Charter and other regulatory mandates to ensure its satisfactory performance.

Ms. Tomasa H. Lipana served as Chair of the Audit Committee until April 30, 2025. Atty. Lily K. Gruba was appointed Chairperson of the Audit Committee, succeeding Ms. Tomasa H. Lipana effective April 30, 2025. On the same date, Ms. Marife B. Zamora was elected as an Independent Director and joined the Committee as a member.

As of December 31, 2025, the Audit Committee was composed of the following members:

- **Lily K. Gruba** (Chairperson, effective April 30, 2025)
- **Ramon M. Lopez** (Member)
- **Amando M. Tetangco, Jr.** (Member)
- **Marife B. Zamora** (Member)

The profiles and qualifications of the Committee members can be found in the Governance Section of this report (pages 32–35). The profile of Ms. Tomasa H. Lipana is provided below:

Tomasa H. Lipana (Chairperson, Until April 30, 2025)
Filipino, 77, Female

Key positions:

- Adviser to the Board of Directors – SM Investments Corporation
- Independent Director and Audit Committee Chairperson – Flexo Manufacturing Corporation
- Independent Director and Audit Committee Chairperson – OceanaGold (Philippines), Inc.

Previous professional appointments:

- Independent Director – SM Investments Corporation
- Chairperson and Senior Partner – Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers
- Independent Director – Rural Bank of Silay City, Inc.
- Independent Director – Goldilocks Bakeshop Inc.
- Independent Director – Inter-Asia Development Bank
- Independent Director – QBE Seaboard Insurance Philippines
- Appointive Director – Trade and Investment Development Corporation (Philippine Guarantee Corporation)

Professional affiliations:

- Fellow and Trustee – Institute of Corporate Directors
- Trustee – Shareholders’ Association of the Philippines, Inc.

Education and training:

- Executive Education Programs – Harvard Business School, University of Western Ontario, and Asian Institute of Management
- Bachelor’s Degree, Cum Laude – University of the East
- Certified Public Accountant (CPA Board Placer)

Recognition:

- Accountancy Centennial Award for Excellence – Professional Regulation Commission, Board of Accountancy
- Outstanding CPA in Public Practice – Philippine Institute of Certified Public Accountants
- Outstanding Alumna – University of the East

Presented below are the dates of the Committee meetings and the attendance of each member.

Audit Committee						
Office	Name	2025 Meetings and Attendance				
		2/26	2/28	5/5	8/4	11/10
Member (ID)	Lily K. Gruba*	✓	✓	✓	✓	✓
Member (ID)	Ramon M. Lopez	✓	✓	✓	✓	✓
Member (ID)	Amando M. Tetangco, Jr.	✓	✓	✓	✓	✓
Member (ID)	Marife B. Zamora**	-	-	✓	✓	✓

*Atty. Lily K. Gruba was appointed as Chairperson of the Audit Committee on April 30, 2025. Ms. Tomasa H. Lipana served as the Chairperson until April 30, 2025 and attended the Audit Committee meetings held on February 26 and February 28, 2025.

** Ms. Marife B. Zamora was elected on April 30, 2025 as an Independent Director.

In compliance with the Audit Committee Charter, the Manual of Corporate Governance, and relevant laws and regulations, the Audit Committee performed the following activities relating to the three (3) major areas of concern:

Internal Audit

1. The Committee provided oversight of the Internal Audit.

Under SMIC's Internal Audit Charter, the primary purpose of Internal Audit is to strengthen SMIC's ability to create, protect, and sustain value by providing the Board of Directors and Senior Management with independent, risk-based, objective, and reasonable assurance, advice, insight, and foresight through systematic and disciplined evaluation of SMIC's governance system, risk management, and internal control environment.

To maintain the independence of the Internal Audit, the Chief Audit Executive (CAE) administratively reports to the Chief Executive Officer and functionally reports to the Board of Directors, through the Audit Committee.

The CAE has direct and free access to communicate with the Management and Audit Committee. The entire Internal Audit Team has full and unrestricted access to all records, documents, systems, and information required for the effective and efficient audit process.

2. The Committee reviewed and approved the 2025 Internal Audit plan, including the scope, methodology, organization structure and staffing.
3. The Committee monitored the implementation of the Internal Audit plan and reviewed the periodic reports of the CAE, summarizing the overall assessment of the Company's control environment, significant audit findings and areas of concern as well as the corresponding management responses and action plans.

External Audit

The Audit Committee has the primary responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the External Auditor.

The External Auditor is tasked to undertake an independent audit and provide and perform an objective assurance on the preparation and presentation of the financial statements.

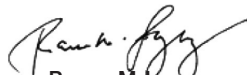
4. The Committee reviewed/discussed with the External Auditor, SGV & Co., the following:
 - The annual audit plan for 2025, including scope, approach, risk-based methods, focus areas and time table;
 - The results of its examination and action plan to address pending audit issues; and
 - The assessment of internal controls and quality of financial reporting.
5. The Committee reviewed/discussed the report of SGV & Co. on significant accounting issues, changes in accounting policies/standards, and major pending tax legislations, which would impact the Company and its subsidiaries.
6. The Committee discussed with SGV & Co. the matters required to be disclosed under the prevailing applicable Auditing Standards, and obtained from said Firm a letter confirming its independence, as required by prevailing applicable Independence Standards.
7. The Committee reviewed and approved all audit and non-audit services provided by SGV & Co. to the Company. The Committee also reviewed the significance of non-audit related fees in relation to the annual fees.

Financial Statements

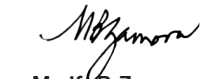
8. The Committee assessed the internal control system of the Company based upon the review and evaluation done and reported by the internal and external auditors and noted that the system is generally adequate to generate reliable financial statements.
9. The Committee reviewed and endorsed to the Board for approval the unaudited consolidated financial statements of SM Investments Corporation and its subsidiaries for the first quarter ended March 31, 2025, second quarter ended June 30, 2025, and third quarter ended September 30, 2025.
10. Based on its review and discussion, and subject to the limitations on the roles and responsibilities referred to above, the Committee recommended for Board approval, and the Board approved, the audited consolidated financial statements of SM Investments Corporation and its subsidiaries for the year ended December 31, 2025.
11. The Committee reviewed and discussed the performance, independence and qualifications of the External Auditor, SGV & Co., in the conduct of their audit of the consolidated financial statements of SM Investments Corporation and its subsidiaries for the year. Based on the review of their performance and qualifications, the Committee also recommended the re-appointment of SGV & Co. as the Company's External Auditor for 2026.

27 February 2026

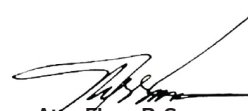

Lily K. Gruba
Chairperson
Effective April 30, 2025


Ramon M. Lopez
Member


Amando M. Tetangco, Jr.
Member


Marife B. Zamora
Member
Effective April 30, 2025


Tomas H. Lipana
Chairperson
Effective until April 30, 2025


Atty. Elmer B. Serrano
Corporate Secretary

Independent Auditor's Report

**The Board of Directors and Stockholders
SM Investments Corporation**

Opinion

We have audited the consolidated financial statements of SM Investments Corporation and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Investments in Associate Companies

The Group's investments in associate companies are accounted for under the equity method and considered for impairment if there are indicators that such investments may be impaired. As at December 31, 2025, the Group's investment in a banking associate amounted to ₱317.9 billion, representing 21.9% of the Group's total noncurrent assets, and the Group's share in its net income amounted to ₱40.7 billion and representing 32.9% of the Group's consolidated net income. Given the magnitude of the banking associate's carrying amount and contribution to the Group's consolidated net income, the significant management judgments and estimates made by the banking associate in determining expected credit loss that affect its net income, as well as the significant management judgments and estimates applied in determining the recoverable amount of the Group's investments in mining and real estate associate companies with impairment indicators, we consider this matter significant to our audit.

The details of these investments are disclosed in Note 13 to the consolidated financial statements.

Audit Response

For the banking associate audited by other auditor, we evaluated the competence, capabilities and independence of other auditor by considering their qualifications and relevant experience and obtaining independence confirmation. We sent audit instructions to the other auditor to perform an audit on the relevant financial information of the associate company for the purpose of the Group's consolidated financial statements. Our audit instructions cover the other auditor's scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the other auditor their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2025. We reviewed the working papers of the other auditor, focusing on the procedures performed on the review of the testing of the expected credit loss model. We also obtained relevant financial information of the banking associate and recomputed the Group's share in net income for the year ended December 31, 2025.

For investments with indicators of possible impairment, we involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used, such as long-term growth rate against relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of investment in associate companies.

Revenue and Cost Recognition from Sale of Real Estate

The Group's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining revenue from sale of real estate; (3) determination of the actual costs incurred as cost of real estate sold; and (4) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress of work based on physical proportion of work done, including the impact of customized uninstalled materials, on the real estate project which requires technical determination by the Group's project engineers. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers.

In determining the costs incurred to be recognized as cost of real estate sold, the Group accumulates materials, labor and overhead costs, including costs that were incurred but not yet billed by the contractor.

The Group identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the related sales commissions are amortized consistent with the revenue recognition.

The disclosures related to the Group's revenue recognition are included in Note 3 to the consolidated financial statements.

Audit Response

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as notice of sales cancellation.

For the application of the output method as the measure of progress in determining revenue from sale of real estate, we obtained an understanding of the Group's processes for determining the percentage of completion (POC) and performed tests of the relevant controls. We inspected the certified POC reports prepared by the third-party project managers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and inspected the supporting details of POC reports showing the completion of the major activities of the project construction.

For the determination of the costs incurred as cost of real estate sold, we selected projects and traced the costs accumulated during the year, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, POC reports, official receipts and accomplishment reports, among others.

For the recognition of cost to obtain a contract, we selected sample contracts and agreed the basis for calculating the sales commissions, particularly (a) the percentage of commissions due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from sale of real estate.

Existence and Completeness of Merchandise Inventories

As at December 31, 2025, the merchandise inventories of the Group amounted to ₱43.7 billion, representing 12.1% of the Group's total current assets. The Group has several warehouses and operates multiple stores across the country. Since the merchandise inventories are material to the consolidated financial statements, and various warehouses and stores are geographically dispersed across the country, we consider this a key audit matter.

The disclosures about inventories are included in Note 11 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's inventory process and observed the conduct of physical inventory count at selected warehouses and stores. We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports reflect the results of the actual inventory count. We traced the last documents used for shipping, receiving, and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We inspected the reconciliations of the inventory compilation reports with the general ledger account balances and tested the reconciling items. We performed testing, on a sampling basis, of the Group's rollforward or rollback procedures on inventory quantities from the date of physical inventory count to the financial reporting date.

For the material components audited by other auditor, we discussed with the other auditor the strategy, execution of audit procedures and results of their work over the merchandise inventories. We also reviewed their working papers on merchandise inventories, specifically on the observation and testing of physical inventory counts, testing of compilation procedures and the inspection of the reconciliations of the physical inventory count to the general ledger and financial reports and testing of the reconciling items.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2025, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.


Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 88823-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10765016, January 2, 2026, Makati City

February 27, 2026

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Millions)

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 21 and 28)	₱101,847	₱112,528
Time deposits (Notes 8, 21 and 28)	3,217	221
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 28 and 29)	717	794
Receivables and contract assets (Notes 10, 21 and 28)	94,099	92,269
Inventories (Note 11)	119,167	119,676
Other current assets (Notes 12, 21 and 28)	42,355	58,312
Total Current Assets	361,402	383,800
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	23,676	26,362
Investments in associate companies and joint ventures (Note 13)	437,230	399,484
Time deposits - net of current portion (Notes 8, 21, 28 and 29)	4,178	3,113
Property and equipment (Note 14)	59,646	57,357
Investment properties (Note 15)	657,173	592,950
Right-of-use assets (Note 27)	51,702	49,185
Intangibles (Note 16)	40,386	40,386
Other noncurrent assets (Notes 16, 21 and 28)	176,408	146,415
Total Noncurrent Assets	1,450,399	1,315,252
Total Assets	₱1,811,801	₱1,699,052
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 17, 21, 28 and 31)	₱20,223	₱24,074
Accounts payable and other current liabilities (Notes 18, 21, 27 and 28)	213,084	210,373
Income tax payable	3,550	4,093
Current portion of long-term debt (Notes 19, 21, 28 and 31)	100,397	104,628
Total Current Liabilities	337,254	343,168
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 21, 28, 29 and 31)	390,839	371,872
Lease liabilities - net of current portion (Notes 27 and 31)	35,172	33,192
Deferred tax liabilities (Note 26)	21,138	19,445
Tenants' deposits and others (Notes 11, 15, 25, 27, 28 and 29)	71,763	64,950
Total Noncurrent Liabilities	518,912	489,459
Total Liabilities	856,166	832,627

(Forward)

	December 31	
	2025	2024
Equity Attributable to Owners of the Parent Company		
Capital stock (Note 20)	₱12,331	₱12,261
Additional paid-in capital	76,667	71,752
Treasury stock	(5,175)	(41)
Equity adjustments from common control transactions (Note 20)	(6,949)	(6,949)
Cost of Parent Company common shares held by subsidiaries (Note 20)	(6,225)	(25)
Cumulative translation adjustment	2,962	1,821
Fair value changes on cash flow hedges and others	183	557
Unrealized gain on financial assets at FVOCI (Note 9)	7,130	9,899
Remeasurement loss on defined benefit asset/obligation (Note 25)	(1,789)	(2,100)
Share in other comprehensive loss of associate companies and joint ventures - net	(11,107)	(11,772)
Retained earnings (Note 20):		
Appropriated	30,000	30,000
Unappropriated	597,230	521,901
Total Equity Attributable to Owners of the Parent Company	695,258	627,304
Non-controlling Interests (Note 2)	260,377	239,121
Total Equity	955,635	866,425
Total Liabilities and Equity	₱1,811,801	₱1,699,052

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(Amounts in Millions Except Per Share Data)

	Years Ended December 31		
	2025	2024	2023
REVENUES			
Sales:			
Merchandise	P444,646	P421,757	P401,726
Real estate	40,633	45,910	42,124
Rent (Notes 15, 21 and 27)	72,580	67,966	61,785
Equity in net earnings of associate companies and joint ventures (Note 13)	53,973	50,002	44,945
Others (Note 22)	69,901	69,142	65,672
	681,733	654,777	616,252
COSTS AND EXPENSES (Notes 11 and 23)	521,380	502,951	474,084
OPERATING INCOME	160,353	151,826	142,168
OTHER INCOME (CHARGES)			
Interest expense (Notes 21 and 24)	(21,778)	(23,710)	(24,085)
Interest income (Notes 21 and 24)	3,840	4,577	4,048
Loss from fair value changes on derivatives - net	(83)	(480)	(31)
Impairment reversal (provision) (Notes 13 and 15)	(365)	(476)	320
Foreign exchange gain - net and others (Note 28)	796	1,174	397
	(17,590)	(18,915)	(19,351)
INCOME BEFORE INCOME TAX	142,763	132,911	122,817
PROVISION FOR INCOME TAX (Note 26)			
Current	17,679	16,928	16,209
Deferred	1,312	1,330	423
	18,991	18,258	16,632
NET INCOME	P123,772	P114,653	P106,185
Attributable to			
Owners of the Parent Company (Note 30)	P90,482	P82,609	P76,989
Non-controlling interests	33,290	32,044	29,196
	P123,772	P114,653	P106,185
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent Company (Note 30)	P74.16	P67.60	P63.00

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in Millions)

	Years Ended December 31		
	2025	2024	2023
NET INCOME	P123,772	P114,653	P106,185
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	2,260	522	(1,035)
Fair value changes on cash flow hedges	(971)	(491)	(1,759)
	1,289	31	(2,794)
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	459	1,677	(2,503)
Net unrealized loss on financial assets at FVOCI (Note 9)	(2,477)	(1,073)	(600)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(238)	(751)	344
	(2,256)	(147)	(2,759)
Share in other comprehensive income (loss) of associate companies and joint ventures - net (Note 13)	678	(458)	(642)
TOTAL COMPREHENSIVE INCOME	P123,483	P114,079	P99,990
Attributable to			
Owners of the Parent Company	P90,182	P82,070	P72,882
Non-controlling interests	33,301	32,009	27,108
	P123,483	P114,079	P99,990

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(Amounts in Millions Except Per Share Data)

	Equity Attributable to Owners of the Parent Company					
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Company Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2025	₱12,261	₱71,752	(₱41)	(₱6,949)	(₱25)	₱1,821
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	–	1,141
Total comprehensive income	–	–	–	–	–	1,141
Realized gain on disposal of financial assets at FVOCI (Note 9)	–	–	–	–	–	–
Issuance of common shares (Note 20)	70	6,130	–	–	(6,200)	–
Purchase of treasury shares (Note 20)	–	–	(5,134)	–	–	–
Transactions with non-controlling interests (Note 20)	–	(1,215)	–	–	–	–
Cash dividends - ₱13.00 per share (Note 20)	–	–	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–
Net change in non-controlling interests	–	–	–	–	–	–
As at December 31, 2025	₱12,331	₱76,667	(₱5,175)	(₱6,949)	(₱6,225)	₱2,962
As at January 1, 2024	₱12,261	₱71,837	(₱41)	(₱6,660)	(₱25)	₱1,587
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	–	234
Total comprehensive income	–	–	–	–	–	234
Effect of business combination (Note 5)	–	–	–	(289)	–	–
Transactions with non-controlling interests	–	(85)	–	–	–	–
Cash dividends - ₱9.00 per share (Note 20)	–	–	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–
Reversal of appropriations - net	–	–	–	–	–	–
Net change in non-controlling interests	–	–	–	–	–	–
As at December 31, 2024	₱12,261	₱71,752	(₱41)	(₱6,949)	(₱25)	₱1,821

Equity Attributable to Owners of the Parent Company

Fair Value Changes on Cash Flow Hedges and Others	Unrealized Gain (Loss) on Financial Assets at FVOCI	Remeasurement Gain (Loss) on Defined Benefit Asset/ Obligation	Share in Other Comprehensive Gain (Loss) of Associates – Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non- controlling Interests	Total Equity
P557	P9,899	(P2,100)	(P11,772)	P30,000	P521,901	P627,304	P239,121	P866,425
-	-	-	-	-	90,482	90,482	33,290	123,772
(374)	(2,043)	311	665	-	-	(300)	11	(289)
(374)	(2,043)	311	665	-	90,482	90,182	33,301	123,483
-	(726)	-	-	-	726	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(5,134)	-	(5,134)
-	-	-	-	-	-	(1,215)	(153)	(1,368)
-	-	-	-	-	(15,879)	(15,879)	-	(15,879)
-	-	-	-	-	-	-	(12,023)	(12,023)
-	-	-	-	-	-	-	131	131
P183	P7,130	(P1,789)	(P11,107)	P30,000	P597,230	P695,258	P260,377	P955,635
P809	P11,075	(P3,151)	(P11,376)	P37,000	P443,289	P556,605	P215,596	P772,201
-	-	-	-	-	82,609	82,609	32,044	114,653
(252)	(1,176)	1,051	(396)	-	-	(539)	(35)	(574)
(252)	(1,176)	1,051	(396)	-	82,609	82,070	32,009	114,079
-	-	-	-	-	-	(289)	-	(289)
-	-	-	-	-	-	(85)	9	(76)
-	-	-	-	-	(10,997)	(10,997)	-	(10,997)
-	-	-	-	-	-	-	(9,279)	(9,279)
-	-	-	-	(7,000)	7,000	-	-	-
-	-	-	-	-	-	-	786	786
P557	P9,899	(P2,100)	(P11,772)	P30,000	P521,901	P627,304	P239,121	P866,425

Equity Attributable to Owners of the Parent Company						
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Company Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2023	₱12,261	₱75,839	(₱41)	(₱6,660)	(₱25)	₱2,103
Net income	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(516)
Total comprehensive income	—	—	—	—	—	(516)
Transactions with non-controlling interests	—	(4,002)	—	—	—	—
Cash dividends - ₱7.50 per share (Note 20)	—	—	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—
Net change in non-controlling interests	—	—	—	—	—	—
As at December 31, 2023	₱12,261	₱71,837	(₱41)	(₱6,660)	(₱25)	₱1,587

See accompanying Notes to Consolidated Financial Statements.

Equity Attributable to Owners of the Parent Company

Fair Value Changes on Cash Flow Hedges and Others	Unrealized Gain (Loss) on Financial Assets at FVOCI	Remeasurement Gain (Loss) on Defined Benefit Asset/ Obligation	Share in Other Comprehensive Gain (Loss) of Associates – Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non- controlling Interests	Total Equity
₱1,610	₱11,823	(₱1,722)	(₱10,763)	₱37,000	₱375,464	₱496,889	₱195,301	₱692,190
–	–	–	–	–	76,989	76,989	29,196	106,185
(801)	(748)	(1,429)	(613)	–	–	(4,107)	(2,088)	(6,195)
(801)	(748)	(1,429)	(613)	–	76,989	72,882	27,108	99,990
–	–	–	–	–	–	(4,002)	174	(3,828)
–	–	–	–	–	(9,164)	(9,164)	–	(9,164)
–	–	–	–	–	–	–	(7,460)	(7,460)
–	–	–	–	–	–	–	473	473
₱809	₱11,075	(₱3,151)	(₱11,376)	₱37,000	₱443,289	₱556,605	₱215,596	₱772,201

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in Millions)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱142,763	₱132,911	₱122,817
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	(53,973)	(50,002)	(44,945)
Depreciation and amortization (Notes 14, 15, 16, 23 and 27)	27,696	26,508	24,707
Interest expense (Note 24)	21,778	23,710	24,085
Interest income (Note 24)	(3,840)	(4,577)	(4,048)
Provisions - net (Notes 10 and 23)	2,092	4,176	4,400
Dividend income (Note 22)	(882)	(871)	(912)
Impairment provision (reversal) (Notes 13 and 15)	365	476	(320)
Unrealized foreign exchange loss (gain) - net	(185)	(96)	44
Loss from fair value changes on derivatives - net	83	480	31
Loss (gain) on disposal of investments and properties - net (Notes 13, 14 and 15)	54	(445)	(66)
Income before working capital changes	135,951	132,270	125,793
Decrease (increase) in:			
Receivables and contract assets	(11,584)	(21,279)	(16,883)
Inventories	862	(2,185)	(24,275)
Other current assets	452	(2,514)	(1,437)
Increase in:			
Accounts payable and other current liabilities	2,767	9,732	14,195
Tenants' deposits and others	6,752	8,113	9,234
Net cash generated from operations	135,200	124,137	106,627
Income tax paid	(18,237)	(16,488)	(15,748)
Net cash provided by operating activities	116,963	107,649	90,879
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Financial assets at FVOCI	1,018	—	—
Investment properties	48	606	75
Property and equipment	39	318	53
Shares in a subsidiary	20	—	—
Investment in associate companies and joint ventures	—	1,586	—
Additions to:			
Investment properties (Note 15)	(76,873)	(67,569)	(68,206)
Property and equipment (Note 14)	(10,619)	(12,749)	(12,362)
Financial assets at FVOCI	(774)	(1,508)	(692)
Investments in associate companies and joint ventures (Note 13)	—	(5,337)	(288)
Decrease (increase) in:			
Time deposits	(4,061)	19,593	9,857
Other noncurrent assets	(6,224)	(254)	14,680
Dividends received	18,270	15,727	11,240
Interest received	3,953	4,478	4,289
Net cash used in investing activities	(75,203)	(45,109)	(41,354)

(Forward)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	₱130,292	₱112,876	₱107,591
Bank loans	96,643	105,535	45,600
Payments of:			
Long-term debt	(118,409)	(131,653)	(103,343)
Bank loans	(100,562)	(94,961)	(52,907)
Dividends	(29,753)	(20,435)	(17,335)
Interest	(20,691)	(22,224)	(22,835)
Lease liabilities	(5,466)	(5,308)	(5,220)
Purchase of treasury shares (Note 20)	(5,134)	–	–
Proceeds from matured derivatives - net	620	2,404	–
Proceeds from partial sale of shares in a subsidiary	–	–	1,295
Acquisition of non-controlling interest in a subsidiary	–	–	(5,169)
Net cash used in financing activities	(52,460)	(53,766)	(52,323)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,700)	8,774	(2,798)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	19	8	(17)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	112,528	103,746	106,561
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱101,847	₱112,528	₱103,746

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's articles of incorporation to change its corporate life to perpetual. Its registered office address is 10th Floor, OneE-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is a Philippine listed holding company with interests in retail, banking, property, integrated supply chains, renewable energy development and mining.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 27, 2026, upon the recommendation of the Audit Committee.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Parent Company and its subsidiaries (the Group) are prepared on the historical cost basis, except for financial instruments measured at fair value (including all derivatives and financial assets classified as FVOCI or fair value through profit or loss (FVTPL)). The consolidated financial statements are presented in Philippine Pesos, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS) Accounting Standards. Amounts are rounded to the nearest million pesos (₱ million), unless otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with PFRS Accounting Standards.

Basis of Consolidation

The Group is considered to have control of an investee when it has:

- power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- contractual arrangements with other vote holders of the investee;
- rights arising from other contractual arrangements; and,
- the Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that one or more of the elements of control have changed. Consolidation of a subsidiary begins when the Group obtains control of a subsidiary and ceases when it loses control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in, or deconsolidated from, the consolidated financial statements from the date the Group obtains control until the date the Group loses control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the Parent Company and to non-controlling interests, even if this results in a deficit balance for non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. When the Group loses control of a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non controlling interests;
- reclassifies the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any resulting gain or loss in the consolidated statements of income; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

Company	Principal Activities	Percentage of Ownership			
		2025		2024	
		Direct	Indirect	Direct	Indirect
Property					
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	Real estate development	50	–	50	–
SM Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Highlands Prime Inc. and Subsidiary	Real estate development	–	100	–	100
Costa del Hamilo, Inc. and Subsidiary	Real estate development	–	100	–	100
Magenta Legacy, Inc.	Real estate development	–	100	–	100
Associated Development Corporation	Real estate development	–	100	–	100
Prime Metro Estate, Inc. and Subsidiary	Real estate development	–	100	–	100
Tagaytay Resort Development Corporation	Real estate development	–	100	–	100
SM Arena Complex Corporation	Conventions	–	100	–	100
MOA Esplanade Port, Inc.	Port terminal operations	–	100	–	100
Premier Clark Complex, Inc.	Real estate development	–	100	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	–	100	–	100
First Asia Realty Development Corporation	Real estate development	–	74	–	74
Premier Central, Inc. and Subsidiary	Real estate development	–	100	–	100
Consolidated Prime Dev. Corp.	Real estate development	–	100	–	100
Premier Southern Corp.	Real estate development	–	100	–	100
San Lazaro Holdings Corporation	Real estate development	–	100	–	100
Southernpoint Properties Corp.	Real estate development	–	100	–	100
First Leisure Ventures Group Inc.	Real estate development	–	50	–	50
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Springfield Global Enterprises Limited*[BVI]	Real estate development	–	100	–	100
Simply Prestige Limited and Subsidiaries*[BVI]	Real estate development	–	100	–	100
SM Land (China) Limited and Subsidiaries*[Hong Kong]	Real estate development	–	100	–	100
Rushmore Holdings, Inc.	Real estate development	–	100	–	100
Prime_Commercial Property Management Corp. and Subsidiaries	Real estate development	–	100	–	100
Mindpro, Incorporated	Real estate development	–	70	–	70
A. Canicosa Holdings, Inc.	Real estate development	–	100	–	100
AD Canicosa Properties, Inc.	Real estate development	–	100	–	100
Cherry Realty Development Corporation	Real estate development	–	100	–	100
Supermalls Transport Services, Inc.	Real estate development	–	100	–	100
SM Smart City Infrastructure and Development Corporation	Real estate development	–	100	–	100
Britannia Trading Corp. and Subsidiaries	Trading, importing and exporting of goods	–	100	–	100
SMPHI SG Holdings Pte. Ltd.*[Singapore]	Investment	–	100	–	100
SM GUUN ENVIRONMENTAL COMPANY, INC.	Recycling and repurposing of waste	–	70	–	70
Nagtahan Property Holdings, Inc.	Real estate development	–	100	100	–
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	100	–	100	–
Intercontinental Development Corporation (ICDC)	Real estate development	97	3	97	3
Prime Central Limited and Subsidiaries*[BVI]	Investment	100	–	100	–
Bellevue Properties, Inc.	Real estate development	62	–	62	–
Neo Subsidiaries ^(a)	Real estate development	95	–	95	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	71	–
Retail					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
Others					
Primebridge Holdings, Inc. and Subsidiary	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation and Subsidiary	Investment	100	–	100	–
Belleshares Holdings, Inc.	Investment	99	–	99	–
2GO Group, Inc. (2GO) and Subsidiaries	Integrated Supply Chain	67	–	67	–
Goldilocks Bakeshop, Inc. (GBI) and Subsidiaries	Bakery products and other food items	64	–	64	–

(Forward)

Company	Principal Activities	Percentage of Ownership			
		2025		2024	
		Direct	Indirect	Direct	Indirect
Globalfund Holdings, Inc.	Investment	100	–	100	–
SMIC SG Holdings Pte. Ltd.*[Singapore]	Investment	100	–	100	–
Katimak Holdings, Inc.	Investment	100	–	100	–
Allfirst Renewables Holdings, Inc.	Investment	89	11	89	11
Philippine Geothermal Production Company, Inc. (PGPC) and Subsidiaries	Development and utilization of minerals, geothermal and other products	60	40	60	40
AIC Group of Companies Holding Corp. and Subsidiaries	Integrated Supply Chain	51	–	51	–

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines except for those marked * and as indicated after the company name.

(a) Neo Subsidiaries include N-Plaza BGC Land, Inc., N-Plaza BGC Properties, Inc., N-Quad BGC Land, Inc., N-Quad BGC Properties, Inc., N-Square BGC Land, Inc., N-Square BGC Properties, Inc., N-Cube BGC Land, Inc., N-Cube BGC Properties, Inc., N-One BGC Land, Inc. and N-One BGC Properties, Inc.

Material Partly-owned Subsidiary

The non-controlling interests in SM Prime is material to the Group. As at December 31, 2025 and 2024, the non-controlling interest is 50% of SM Prime's equity.

The summarized financial information of SM Prime follows:

Financial Position

	December 31	
	2025	2024
	(In Millions)	
Current assets	₱211,202	₱230,682
Noncurrent assets	882,677	788,749
Total assets	₱1,093,879	₱1,019,431
Current liabilities	₱205,055	₱211,995
Noncurrent liabilities	419,745	371,195
Total liabilities	₱624,800	₱583,190
Total equity	₱469,079	₱436,241
Attributable to:		
Owners of the Parent Company	₱465,558	₱433,093
Non-controlling interests	3,521	3,148
	₱469,079	₱436,241

	Years Ended December 31		
	2025	2024	2023
	(In Millions)		
Revenues	P141,107	P140,390	P128,097
Costs and expenses	69,376	72,353	66,818
Other charges	(10,733)	(11,194)	(11,439)
Income before income tax	60,998	56,843	49,840
Provision for income tax	11,271	10,303	8,976
Net income	49,727	46,540	40,864
Other comprehensive income (loss)	(1,198)	1,247	(213)
Total comprehensive income	P48,529	P47,787	P40,651
Attributable to:			
Owners of the Parent Company	P48,848	P45,632	P40,011
Non-controlling interests	879	908	853
Net income	P49,727	P46,540	P40,864
Attributable to:			
Owners of the Parent Company	P47,652	P46,877	P39,799
Non-controlling interests	877	910	852
Total comprehensive income	P48,529	P47,787	P40,651
Dividends paid to non-controlling interests	P530	P454	P324

Cash Flows

	Years Ended December 31		
	2025	2024	2023
	(In Millions)		
Net cash provided by operating activities	P74,911	P67,289	P62,655
Net cash used in investing activities	(79,944)	(64,554)	(66,714)
Net cash provided by (used in) financing activities	1,415	(3,297)	(6,227)
Effect of exchange rate changes on cash and cash equivalents	17	(9)	43
Net decrease in cash and cash equivalents	(P3,601)	(P571)	(P10,243)

3. Summary of Material Accounting Policies, Changes and Improvements

The material accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

Determination of Fair Value of Assets and Liabilities

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 most advantageous market for the asset or liability, in the absence of a principal market.

The principal or the most advantageous market must be accessible to the Group.

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 the market participants act in their best economic interest.

The fair value measurement of a nonfinancial asset considers the market participant's ability to generate economic benefits by using and/or selling the asset to another market participant in its highest and best use.

The Group 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.

Assets and liabilities for which fair value is measured based on the lowest-level significant input are classified and disclosed in the consolidated financial statements based on the fair value hierarchy described below:

Level 1 - Quoted (unadjusted) market 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; and,

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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has assessed the class of assets and liabilities on the basis of the nature, characteristics and risks of the subject asset or liability and the fair value hierarchy.

Financial Instruments

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVTPL. The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Group's business model for managing them. The initial measurement of financial assets, except for those classified as FVTPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

For a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 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 instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- Amortized cost
- FVTPL
- FVOCI
 - with recycling of cumulative gains and losses (debt instruments)
 - with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial Assets at Amortized Cost (Debt Instruments)

The Group measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

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.

The Group's financial assets at amortized cost include cash and cash equivalents, time deposits, receivables (including noncurrent portion of receivables from real estate buyers), advances and other receivables included under "Other current assets" in the consolidated balance sheets.

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Financial assets at FVTPL are measured at fair value. Changes in fair values are recognized in profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative when:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and,
- The hybrid contract is not measured at FVTPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required, or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income in the consolidated statements of income when the right of payment is established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's equity instruments at FVOCI include investments in shares of stock and club shares presented under "Financial assets at FVOCI" in the consolidated balance sheets.

Derecognition

A financial asset, part of a financial asset or part of a group of similar financial assets, is primarily derecognized when:

- The right to receive cash flows from the asset has expired; or,
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or, (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates the 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Modification of Financial Assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between the carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated statements of income, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether the modification of financial asset is substantial or not. The Group considers the following factors in its assessment:

- Change in currency;
- Introduction of an equity feature;
- Change in counterparty; and
- Asset no longer qualified as SPPI.

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid, net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statements of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification is considered as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

Impairment

The Group recognizes an allowance for ECLs 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 Group expects to receive, discounted at an approximation of the original effective interest rate. 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.

To calculate ECLs, the Group uses the provision matrix for rent and other receivables, vintage approach for receivables from sales of real estate (billed and unbilled) and general approach (low credit risk simplification) for treasury assets.

Under the provision matrix, ECLs are calculated based on lifetime ECLs. Changes in credit risk are not tracked, instead, a loss allowance based on lifetime ECLs adjusted for forward-looking factors specific to the debtors and the economic environment is recognized.

Under the vintage approach, ECLs are calculated based on the cumulative loss rates of homogenous real estate receivable pools grouped by origination period. The probability of default is derived from the historical default data of portfolios with similar risk characteristics and origination dates. Default patterns over fixed time intervals are used to develop a probability model that evaluates loan performance from origination to contractual maturity. Macroeconomic indicators, including forecast inflation rates, gross domestic product and unemployment rates are incorporated into the model. Expected credit losses represent the present value of expected cash shortfalls, incorporating the probability of default and expected recoveries, including repossession costs and other related expenses. Expected cash shortfalls are discounted to the reporting date using the effective interest rate.

Expected recoveries consider collections and proceeds from the resale of foreclosed real estate properties, net of direct costs to obtain and sell the properties, such as commissions, refurbishment costs, payments required under Republic Act No. 6552 or the *Realty Installment Buyer Protection Act* (Maceda Law) and costs to complete unfinished units.

A financial asset is considered in default when contractual amounts due remain unpaid for more than 120 days, or when the related sale is cancelled, as evidenced by a notarized cancellation letter. A financial asset is also considered in default when internal or external information indicates that the outstanding contractual amounts are unlikely to be collected in full.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified at initial recognition as either measured at FVTPL or at amortized cost, or as derivatives designated as hedging instruments in an effective hedge relationship.

Financial liabilities are initially recognized at fair value and, for those measured at amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payables to government agencies), dividends payable (presented under "Other current liabilities" in the consolidated balance sheets), long-term debt, lease liabilities, and tenants' deposits.

Tenants' deposits represent security deposits received at the inception of lease contracts for the Group's investment properties. These deposits are refundable upon lease termination, net of any unpaid rentals, penalties, or costs to repair damages to the leased properties.

Subsequent Measurement

Financial Liabilities at Amortized Cost

Interest-bearing loans and borrowings and other financial liabilities measured at amortized cost are subsequently measured using the effective interest rate (EIR) method. Gains and losses are recognized in the consolidated statements of income upon derecognition and through the amortization process.

Amortized cost is calculated by considering any discount or premium on initial recognition and fees or costs that are integral to the EIR. EIR amortization is recognized as interest expense.

Financial Liabilities at FVTPL

Financial liabilities at FVTPL include those held for trading and derivative financial instruments not designated in an effective hedging relationship. Separated embedded derivatives are also classified as held for trading unless designated as hedging instruments. Gains and losses are recognized in the consolidated statements of comprehensive income.

Derecognition

A financial liability is derecognized when the obligation is discharged or cancelled. An exchange with the same lender on substantially different terms, or a substantial modification of an existing liability, is accounted for as derecognition of the original liability and recognition of a new liability. Any difference between the carrying amounts is recognized in the consolidated statements of income.

Exchange or Modification of Financial Liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in the consolidated statements of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial instrument and amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as cross-currency swaps, foreign currency call options, interest rate swaps, options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group uses to hedge that quantity of the hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statements of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under “Fair value changes on cash flow hedges and others” in the consolidated balance sheets.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI remains in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount is reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI is accounted for depending on the nature of the underlying transaction.

Other Derivative Instruments Not Accounted for as Hedges

Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair value of derivative instruments not designated as hedges are recognized under “Gain (loss) from fair value changes on derivatives – net” in the consolidated statements of income (see Note 29). Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Merchandise Inventories

The cost of merchandise inventories is primarily determined using the weighted average method.

Real Estate Inventories

Real estate inventories are stated at the lower of cost and net realizable value. Cost includes those costs incurred for development and improvement of the properties. Net realizable value is the selling price in the ordinary course of business less costs to complete and the estimated cost to make the sale. Real estate inventories include properties that are constructed for sale in the ordinary course of business, rather than for rental or capital appreciation.

Cost incurred for the development and improvement of the properties includes the following:

- land cost;
- amounts paid to contractors for construction and development; and,
- planning and design, and site preparation, as well as professional fees, property transfer taxes, construction overhead and others.

Real estate sales cancellations are accounted for as contract modifications that change the contract from non-cancellable to cancellable. Revenue and related costs previously recognized are reversed in the period of cancellation, and the related inventory is reinstated at cost. Any gain or loss on repossession arising from the cancellation is presented under “Revenues – others” in the consolidated statements of income.

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Buildings and improvements	5–25 years
Store equipment and improvements	5–10 years
Data processing equipment	4–8 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	2–10 years
Leasehold improvements	5–20 years or term of the lease, whichever is shorter
Transportation equipment	5–15 years
Vessels in operation, excluding drydocking cost, and vessel equipment and improvements	30–35 years
Containers and reefer vans	5–10 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying amount of the assets is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment Properties

Investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Land improvements	3–10 years
Buildings and leasehold improvements	5–40 years or term of the lease, whichever is shorter
Building equipment, furniture and others	3–15 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers from investment properties to inventories are made when there is a change in use, evidenced by the launch of a real estate project after securing the required permits (e.g. license to sell), completing technical due diligence (e.g. topography studies), and obtaining approval of the plan to construct and develop condominium and residential units for sale. Transfers from inventories to investment properties are made when there is a change in use, evidenced by the commencement of an operating lease to a third party or a change in the originally approved development plan. The property is subsequently accounted for at its carrying amount at the date of change in use.

For transfers from investment property to property and equipment and vice versa, the transfer shall be accounted based on the carrying amount at the time of change in use.

Construction in Progress

Construction in progress under property and equipment and investment property represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated.

Property Acquisitions, Business Combinations and Acquisitions of Non-controlling Interests

Property Acquisitions and Business Combinations. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Costs and expenses" in the consolidated statements of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under “Equity adjustments from common control transactions” in the equity section of the consolidated balance sheets.

Acquisitions/Disposal of Non-controlling Interests. Changes in the Parent Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/received shall be recognized as equity reserve, presented as “Additional Paid-in Capital”.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Impairment of Nonfinancial Assets

The carrying amount of nonfinancial assets (property and equipment, investment properties, investments in associate companies and joint ventures, right-of-use (ROU) assets, and intangibles with definite useful life and other noncurrent assets) is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. The recoverable amount of the asset is the higher of fair value less costs of disposal and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction between knowledgeable and willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation or amortization 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 useful life.

Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in the majority of its revenue arrangements. Revenue is recognized when the following criteria are met:

Sale of Merchandise Inventories. Revenue from sales of goods is recognized when the transfer of control is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods. Net sales, as presented in the consolidated statements of income, is net of sales returns. Payment of the transaction price is due immediately at the point of sale.

Revenue and Cost from Sales of Real Estate. The Group derives real estate revenue from the sale of lots, house and lot units and condominium units. Revenue from the sale of completed real estate projects is recognized at a point in time upon meeting the threshold of buyer's equity. Revenue from real estate projects in the pre-completion stage is recognized over time during the construction period using the output method (percentage of completion) because the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenues based on direct measurements of the value of goods or services transferred to customers relative to the remaining value promised under the contract.

Progress is measured using surveys of performance completed, milestones reached and time elapsed. This method measures the progress of work based on the physical proportion of work done, as well as the impact of customized uninstalled materials on the real estate project, based on the monthly project accomplishment report prepared by third party engineers, as approved by the construction managers.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sales of real estate, under trade receivables, is accounted for as unbilled revenue from sales of real estate and presented under "Receivables and contract assets" in the consolidated balance sheets.

Any excess of collections over the total of recognized installment real estate receivables is included in contract liabilities.

Information about the Group's performance obligation. The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment commences upon signing of the contract to sell. The consideration is payable either in cash or financing, or a combination of both.

The financing scheme may include the payment of a certain percentage of the contract price spread over a specified period at a fixed monthly amount with the remaining balance payable in full at the end of the period either through cash or external financing.

The amortization payment schedule does not necessarily coincide with construction progress.

The Group has a quality assurance warranty which is not treated as a separate performance obligation.

Cost of Real Estate Sold. In determining the costs recognized as cost of real estate sold, the Group accumulates costs of materials, labor and overhead, including estimated costs incurred but not yet billed by contractors. Costs are recognized consistent with the pattern of revenue recognition, taking into consideration contract fulfillment assets and costs to obtain a contract. Cost of real estate sold includes development and construction costs, contract fulfillment assets and costs to obtain a contract.

These costs are allocated to the saleable area, with the portion attributable to the sold area recognized as cost of real estate sold and the portion attributable to the unsold area recognized as part of real estate inventories. Contract fulfillment assets and costs to obtain a contract include costs that generate resources to be used in satisfying performance obligations and that are expected to be recovered.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. Contract assets pertain to unbilled revenue from sales of real estate and represent the Group's conditional right to consideration for goods or services transferred to the customer. The capitalized amount is reclassified to trade receivable from real estate buyers when the customer's periodic amortization becomes due.

Contract Liabilities. Contract liabilities pertain to unearned revenue from sales of real estate and represent the obligation to transfer goods or services to a customer for which the Group has received consideration. Contract liabilities include customers' deposits related to sales of real estate and are recognized as revenues when the Group satisfies the related performance obligations.

Costs to Obtain a Contract. The costs of obtaining a contract with a customer are recognized as an asset if the Group expects recovery of these costs. The accrual of commissions paid to brokers and marketing agents on the sale of pre-completed real estate units is likewise capitalized when recovery is reasonably expected and is charged to expense in the period in which the related revenue is recognized. Commission expense is included in the "Costs and expenses" account in the consolidated statements of income. Costs incurred prior to obtaining a contract with a customer are expensed as incurred.

Contract Fulfillment Assets. Contract fulfillment costs are divided into (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group considers the applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which if met, result in capitalization (i) costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) costs are expected to be recovered. The assessment of these criteria requires the application of judgment particularly in determining whether costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets mainly pertain to land acquisition costs, included in Real estate inventories - Land and development (current portion) and Condominium, residential units and subdivision lots for sale.

Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract. The Group amortizes contract fulfillment assets and costs capitalized to obtain a contract to cost of sales over the expected construction period using an output method consistent with real estate revenue recognition. The amortization is included in cost of real estate sold account in the consolidated statements of income.

A contract fulfillment asset or costs capitalized to obtain a contract is derecognized when it is disposed of, or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that a contract fulfillment asset may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less those costs that relate to providing services under the contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price are removed when testing for impairment.

When indicators of impairment exist, judgment is required to assess whether the expected future economic benefits from the contracts are sufficient to recover the related assets.

Sales - Processed Food and Others. Revenues from sales of processed food and steam are recognized when control of the goods transfers to the customer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods and/or delivery is made to customers. Payment of the transaction price is due immediately at the point of sale and/or within 15 to 30 days.

Room Rentals, Sale of Food and Beverage, and Other Hotel Revenues. The Group's hotel revenues include room rentals, food and beverage sales, and fees for other services. Revenue from room rentals is recognized based on actual occupancy. Revenue from food and beverage sales is recognized when orders are served. Revenue from other services, including business centers and laundry, is recognized when the related services are rendered. Room rental revenue is presented as part of "Rent" revenue. Food and beverage sales and other hotel revenues are presented under "Revenue - Others" in the consolidated statements of income.

Shipping and Logistics Revenues. Revenues from shipping and logistics services are recognized when rendered and/or when export/import cargoes are received by the shipper or consignee. Shipping revenues include fees for ancillary services such as wharfage, arrastre, stevedoring and other related services.

Rent. Revenues are recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable. Contingent rent is recognized as revenue in the period in which it is earned.

Sale of Cinema and Event Tickets. Revenue from cinema and event tickets is recognized when the performance obligation is satisfied, typically when the screening or event takes place.

Gain on Sale of Investments in Associate Companies and Joint Ventures and Financial Assets. Revenues are recognized when the sale is confirmed by the broker and the securities are delivered.

Dividends. Revenues are recognized when the Group's right as a shareholder to receive payment is established. *Royalty and Service Fees.* Revenues are recognized when earned and expenses are recognized when incurred, in accordance with the terms of the agreements.

Interest. Revenues are recognized when interest accrues, considering the effective yield.

Costs and expenses. Costs and expenses are recognized as incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, provisions are measured by discounting expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Any subsequent reversal of the provision is recognized in the same line item in the consolidated statements of income where the expense was initially recognized.

Taxes

Current 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 tax amounts are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Income Tax. Deferred income tax is set up based on the liability method and considering the temporary differences between the tax base of assets and liabilities and the corresponding carrying amounts at each reporting period.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess

MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures wherein deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the near future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that the future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statements of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and/or the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Accounts payable and other current liabilities” in the consolidated balance sheets.

Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income attributable to owners of the Parent Company for the period by the weighted average number of issued and outstanding common shares for the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive ordinary shares.

Events after the Reporting Period

Post yearend events that provide additional information about the Group’s financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 21, *Lack of exchangeability*

The amendments clarify how an entity assesses whether a currency is exchangeable and how it determines the spot exchange rate when exchangeability is lacking. The amendments also introduce related disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2025, with early adoption permitted. Comparative information is not restated upon adoption. The adoption of this new standard did not have a significant impact on the consolidated financial statements.

Future Changes in Accounting Policies and Disclosures

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*

The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders’ concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

The examples address topics such as materiality judgments, significant judgments and estimates, and aggregation and disaggregation.

The illustrative examples are not an integral part of PFRS Accounting Standards and, as such, do not have an effective date or transition requirements. However, an entity is expected to be entitled to sufficient time to implement any changes to align the information disclosed in its financial statements with the illustrative examples. Determining how much time is sufficient is a matter of judgment that depends on an entity’s particular facts and circumstances. Nonetheless, an entity would be expected to implement any changes on a timely basis.

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*

The amendments clarify that a financial liability is derecognized on the ‘settlement date’, i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before the settlement date if certain conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

The amendments are effective on or after January 1, 2026 to be applied retrospectively, with early adoption permitted.

- Annual Improvements to PFRS Accounting Standards – Volume 11

The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

- Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*

The amendments included in paragraphs B5 and B6 of PFRS 1 cross reference to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

- Amendments to PFRS 7, *Gain or Loss on Derecognition*

The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13, *Fair Value Measurement*.

- Amendments to PFRS 9

- a. Lessee Derecognition of Lease Liabilities

The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in the consolidated statements of income.

- b. Transaction Price

The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to ‘transaction price’ as defined by PFRS 15 with ‘the amount determined by applying PFRS 15’. The term ‘transaction price’ in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

- Amendments to PFRS 10, *Determination of a ‘De Facto Agent’*

The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*

The amendments to paragraph 37 of PAS 7 replaced the term ‘cost method’ with ‘at cost’, following the prior deletion of the definition of ‘cost method’.

- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*

The amendments only apply to contracts that reference nature-dependent electricity such as contracts to buy or sell nature-dependent electricity, as well as financial instruments that reference such electricity. This amendment cannot be applied by analogy to other contracts, items or transactions.

The amendments clarify the application of the ‘own-use’ requirements for in-scope contracts, amend the designation requirements for a hedge item in a cash flow hedging relationship for in-scope contracts and include new disclosure requirements.

Effective for annual periods beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

PFRS 18 replaces PAS 1 and introduces new requirements on the presentation and disclosure in the financial statements, including new categories and subtotals in the consolidated statements of income and enhanced disclosure of management-defined performance measures. The standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

- PFRS 17, *Insurance Contracts*

PFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2027. The Group does not issue insurance contracts. Accordingly, the adoption of PFRS 17 is not expected to have an impact on the consolidated financial statements.

- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

The amendments introduce translation requirements when an entity translates its financial statements, or the results and financial position of a foreign operation, from a functional currency of a non-hyperinflationary economy to a presentation currency of a hyperinflationary economy. The amendments are effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

- PFRS 19, *Subsidiaries without Public Accountability*

PFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply the recognition, measurement and presentation requirements of other PFRS Accounting Standards. The standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combination*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associates or joint ventures.

On January 13, 2016, the FSRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the reporting date.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Existence of a Contract. The Group's primary evidence of a contract with a customer is a signed contract to sell or a combination of signed documents such as reservation agreement, official receipts, quotation sheets and other supporting documents, which contain the criteria to qualify as a contract with the customer under PFRS 15 (i.e., the parties have approved the arrangement and are committed to perform; each party's rights and the payment terms are identifiable; the contract has commercial substance; and collection of the consideration is probable).

In addition, the Group assesses the probability of collecting the consideration to which it is entitled in exchange for the real estate property. In making this assessment, Management considers the significance of the customer's initial payments relative to the contract price, the buyer's payment history, the age of outstanding receivables, and the pricing of the property. Historical sales cancellations and back-outs are regularly evaluated to determine whether the established threshold of buyer's equity continues to support the commencement of revenue recognition.

Revenue Recognition Method and Measure of Progress. Management has determined that revenue from the sale of completed real estate projects is recognized at a point in time upon meeting the threshold of buyer's equity, while revenue from real estate projects in the pre-completion stage is recognized over time because the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract, and contractual restrictions on the Group's ability to redirect the property are substantive. The promised property is not interchangeable with other properties without breaching

the contract or incurring significant additional costs. Under applicable law, the customer is obligated to make payments to the Group for performance completed to date.

Sales commissions incurred after contract inception are identified as costs of obtaining a contract. For contracts that qualify for revenue recognition, these costs are amortized on a basis consistent with the recognition of the related revenue.

The Group has determined that the output method used for measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate units to the customers. The Group has determined that, for customized materials, the Group does not merely provide a procurement service to the customer; it is significantly involved in the design and specification of their manufacture.

Property Acquisitions and Business Combinations. At the acquisition date, the Group assesses whether the acquired set constitutes a business (inputs and substantive processes that significantly contribute to the ability to create outputs) and may apply the optional concentration test under PFRS 3. When the acquisition constitutes a business, the Group accounts for it as a business combination: measures identifiable assets acquired and liabilities assumed at acquisition date fair values; recognizes goodwill or a gain on bargain purchase, as applicable; expenses acquisition-related costs in the consolidated statements of income; recognizes contingent consideration at fair value and subsequently measures it in accordance with PFRS 3; and adjusts provisional amounts during the measurement period when new information becomes available (not exceeding one year). When the acquisition does not constitute a business, the Group accounts for it as an asset acquisition: allocates the consideration to identifiable assets and liabilities based on their relative fair values; capitalizes directly attributable costs as part of the asset cost; does not recognize goodwill; and generally does not recognize deferred tax on initial recognition due to the initial recognition exemption under PAS 12, *Income Taxes*, unless the transaction falls outside that exemption.

Consignment Arrangements on Retail Segment. The retail segment enters into consignment arrangements with suppliers. Management assesses whether the entity acts as principal or agent by evaluating control. Revenue is recognized on a gross basis only when the entity controls the specified goods before transfer to customers; otherwise, revenue is presented on a net basis for any commission or fee earned as an agent. When suppliers retain control of inventory until sale, no inventory is recognized and amounts become payable to suppliers only upon sale to customers.

Operating Lease Commitments - Group as Lessor. Leases under PFRS 16, *Leases* are classified by assessing whether the arrangement transfers substantially all risks and rewards incidental to ownership to the lessee. Contracts remain operating leases when (i) ownership does not transfer by the end of the term, (ii) the lease term is not for the major part of the asset's economic life, (iii) the present value of lease payments does not equal substantially all of the asset's fair value, and (iv) the asset is not so specialized that only the lessee can use it without major modifications. Lease income is recognized on a straight-line basis. Where leased properties meet the definition of investment property, measurement and related disclosures follow PAS 40, *Investment Property*.

Determination of Lease Term of Contracts with Renewal and Termination Options - Group as Lessee. The Group enters into lease contracts that include extension and termination options. It applies judgment in evaluating whether it is reasonably certain to exercise a renewal option or not to exercise a termination option. The assessment considers all relevant factors that create economic incentives or disincentives to exercise the options. After the commencement date, the lease term is reassessed only when a significant event or change in circumstances within its control occurs and affects the previous assessment (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Assessing Significant Influence over Associates. Management assessed that the Group has significant influence over all its associates by virtue of the Group's more than 20% voting power in the investee, representation in the board of directors, and participation in policy-making processes of the associates.

Assessing Joint Control of an Arrangement and the Type of Arrangement. The Group has 25% ownership in Waltermart Mall. Management assessed that the Group has joint control of Waltermart Mall by virtue of a contractual agreement with other shareholders. Waltermart Mall is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

Assessment of Control or Significant Influence over Investees

SM Prime. The Group has 50% ownership interest in SM Prime. Management assessed that the Group has control of SM Prime as it holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving the Group the power to direct relevant activities of SM Prime.

BDO Unibank, Inc. (BDO). The Group holds a 45% equity interest in BDO. Management determined that the Group does not control BDO, as its aggregate voting rights are insufficient to provide power over BDO's relevant activities (see Note 13).

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. Under Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*, Management assesses whether the Group has any uncertain tax positions. Management applies significant judgment in identifying uncertainty in the Group's tax treatments. Based on its assessment and in consultation with its tax counsel, Management has determined acceptance of the Group's income tax treatments by the tax authorities is probable.

Contingencies. Management monitors legal and administrative proceedings with external counsel. Based on facts and legal advice at the reporting date, Management has determined that either no present obligation exists requiring a provision or an outflow of resources is not probable; accordingly, no provision is recognized. Contingent liabilities are disclosed when an outflow is possible but not probable, and estimates are reassessed when new information arises.

Estimates and Assumptions

Key assumptions and other sources of estimation uncertainty at the reporting date that present a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Investments in Associate Companies and Joint Ventures. Management performs an impairment review of equity-accounted investments when events or changes in circumstances indicate that the recoverable amount may be less than the carrying amount, in accordance with PAS 28, *Investments in Associates and Joint Ventures*, and PAS 36, *Impairment of Assets*. Recoverable amount equals the higher of fair value less costs of disposal and value in use. Value in use reflects discounted future cash flows based on key assumptions such as revenue growth, gross margins/EBIT, effective tax rates, non-cash charges, working capital movements, capital expenditures, and the discount rate. See Note 13 for related balances.

Impairment of Goodwill and Trademarks and Brand Names with Indefinite Useful Lives. Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value, less costs of disposal and its value in use. Fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculations is based on a discounted cash flow model. The cash flows are derived from the forecast for the relevant period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets. The recoverable amount is most sensitive to the pre-tax discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. See Note 16 for related balances.

Impairment of Other Nonfinancial Assets. Management assesses at each reporting date whether indicators of impairment exist for property and equipment, investment properties, and right-of-use assets. When an indicator exists, management estimates the recoverable amount (the higher of fair value less costs of disposal and value in use) in accordance with PAS 36, *Impairment of Assets*. Cash-flow estimates reflect continuing use and ultimate disposition of the assets. For 2025, 2024, and 2023, no impairment is recognized for these assets. See Notes 14, 15, and 27 for related balances.

Realizability of Deferred Tax Assets. Management reviews the carrying amount of deferred tax assets at each reporting date and reduces it when recovery is not probable. Recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO relies on forecasts of taxable profit. Based on forecasts at the reporting date, not all deductible temporary differences and carryforward benefits will be realized; accordingly, only a portion of deferred tax assets is recognized. See Note 26 for related balances.

Present Value of Defined Benefit Obligation. The present value of pension obligations depends on actuarial assumptions, including the discount rate and salary increase rate. Management determines the discount rate at each reporting date by considering government bond yields denominated in the currency of the benefits with maturities that approximate the term of the obligation. Other key assumptions reflect market conditions at the reporting date. Sensitivity analyses for reasonably possible changes in significant assumptions and the maturity profile of benefit payments appear in Note 25.

Fair Value of Financial Assets and Liabilities. Management determines fair value by selecting appropriate valuation techniques and identifying the principal (or most advantageous) market, then calibrating key inputs using verifiable objective evidence such as quoted prices, foreign exchange rates, interest rates and volatility rates. These judgments affect measured fair values and whether changes are recognized in the consolidated statements of income or in the consolidated statements of other comprehensive income. See Note 29 for related balances.

Valuation of Unquoted Equity Investments. Management determines fair value of unquoted equity investments (classified at FVOCI under PFRS 9) by selecting the valuation technique that best fits the facts and available evidence:

- recent arm's-length transactions for the same investee;
- fair values of comparable instruments that are substantially the same;
- expected cash flows discounted at a rate reflecting the investment's terms and risks; or,
- other valuation techniques

These determinations require judgment over cash flow forecasts, growth and margin assumptions, discount rates, and any adjustments to market comparables. See Note 29 for related balances.

Leases – Estimating the Incremental Borrowing Rate. Management cannot readily determine the interest rate implicit in the lease and therefore uses the incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate the Group would pay to borrow, over a similar term and with similar security, the funds needed to obtain an asset of similar value in a similar economic environment. Management estimates the IBR using observable market data, when available, (e.g., yield curves, swap rates, credit spreads) and adjusts for lease-specific terms and security. When observable rates are unavailable

or require adjustment – for example, for subsidiaries without external borrowings or for leases denominated in a non-functional currency, Management applies entity-specific assumptions, including stand-alone credit ratings. See Note 27 for related balances.

5. Business Combination

SM Retail Common Control Business Acquisition. In December 2024, SM Retail acquired 80% of the outstanding common stock of SM Guam, Inc. (SM Guam). The acquisition of SM Guam was considered as a business reorganization of companies under common control. Thus, the pooling of interests method was applied in the preparation of the consolidated financial statements. Prior period financial statements were not restated due to immateriality.

6. Segment Information

The Group has identified four reportable operating segments: property, retail, banking, and portfolio investments.

The property segment includes the operation of malls, hotels, and convention centers; leasing of commercial spaces; and the development of integrated communities comprising residential, lifestyle, retail, commercial, and leisure properties.

The retail segment is engaged in the retail and wholesale trading of merchandise, including dry goods, wearing apparel, food, and other consumer products.

The banking segment represents the Group's equity interest in BDO and China Banking Corporation (China Bank).

The portfolio investments segment comprises investments in 2GO, PGPC and Neo subsidiaries and associates; Atlas Consolidated Mining and Development Corporation (Atlas); Belle Corporation (Belle); GBI; and other subsidiaries and associates.

The BOD monitors the operating results of each segment for purposes of resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, measured consistently with the consolidated financial statements.

Operating Results by Segment

	2025						
	Portfolio						
	Property	Retail	Banking	Investments	Others	Eliminations	Consolidated
	(In Millions)						
Revenues:							
External customers	₱131,802	₱456,961	₱46,982	₱43,139	₱2,849	₱–	₱681,733
Revenues from contracts with customers	40,633	444,646	–	–	–	–	485,279
Merchandise sales	–	444,646	–	–	–	–	444,646
Real estate sales	40,633	–	–	–	–	–	40,633
Rent	68,397	1,606	–	2,575	2	–	72,580
Equity in net earnings of associate companies and joint ventures	2,806	2,869	46,982	1,305	11	–	53,973
Others	19,966	7,840	–	39,259	2,836	–	69,901
Inter-segment	16,786	690	–	731	5,043	(23,250)	–
	₱148,588	₱457,651	₱46,982	₱43,870	₱7,892	(₱23,250)	₱681,733
Segment results:							
Income before income tax	₱61,159	₱29,691	₱46,982	₱6,788	(₱1,857)	₱–	₱142,763
Provision for income tax	11,281	6,903	–	639	168	–	18,991
Net income after tax	₱49,878	₱22,788	₱46,982	₱6,149	(₱2,025)	₱–	₱123,772
Net income attributable to:							
Owners of the Parent Company	₱24,680	₱16,618	₱45,709	₱5,484	(₱2,009)	₱–	₱90,482
Non-controlling interests	25,198	6,170	1,273	665	(16)	–	33,290

2024							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
(In Millions)							
Revenues:							
External customers	P131,940	P433,259	P43,905	P42,923	P2,750	P–	P654,777
Revenues from contracts with customers	45,910	421,757	–	–	–	–	467,667
Merchandise sales	–	421,757	–	–	–	–	421,757
Real estate sales	45,910	–	–	–	–	–	45,910
Rent	64,069	1,448	–	2,447	2	–	67,966
Equity in net earnings of associate companies and joint ventures	2,043	2,607	43,905	1,376	71	–	50,002
Others	19,918	7,447	–	39,100	2,677	–	69,142
Inter-segment	16,170	670	–	635	4,735	(21,210)	–
	P148,110	P433,929	P43,905	P43,558	P7,485	(P22,210)	P654,777
Segment results:							
Income before income tax	P57,314	P29,193	P43,905	P7,760	(P5,261)	P–	P132,911
Provision for income tax	10,713	6,569	–	739	237	–	18,258
Net income after tax	P46,601	P22,624	P43,905	P7,021	(P5,498)	P–	P114,653
Net income attributable to:							
Owners of the Parent Company	P23,138	P15,773	P42,706	P6,457	(P5,465)	P–	P82,609
Non-controlling interests	23,463	6,851	1,199	564	(33)	–	32,044

2023							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
(In Millions)							
Revenues:							
External customers	P119,004	P413,997	P39,268	P41,828	P2,155	P–	P616,252
Revenues from contracts with customers	42,124	401,726	–	–	–	–	443,850
Merchandise sales	–	401,726	–	–	–	–	401,726
Real estate sales	42,124	–	–	–	–	–	42,124
Rent	58,104	1,268	–	2,413	–	–	61,785
Equity in net earnings of associate companies and joint ventures	2,163	1,943	39,268	1,636	(65)	–	44,945
Others	16,613	9,060	–	37,779	2,220	–	65,672
Inter-segment	15,553	606	–	690	4,424	(21,273)	–
	P134,557	P414,603	P39,268	P42,518	P6,579	(P21,273)	P616,252
Segment results:							
Income before income tax	P50,336	P28,752	P39,268	P9,082	(P4,621)	P–	P122,817
Provision for income tax	9,015	6,685	–	801	131	–	16,632
Net income after tax	P41,321	P22,067	P39,268	P8,281	(P4,752)	P–	P106,185
Net income attributable to:							
Owners of the Parent Company	P20,507	P15,267	P38,194	P7,752	(P4,731)	P–	P76,989
Non-controlling interests	20,814	6,800	1,074	529	(21)	–	29,196

No single customer accounted for 10% or more of consolidated revenues in 2025, 2024, and 2023. Substantially all revenues are derived from operations within the Philippines.

Revenue disaggregation is presented in the consolidated statements of income and in the segment information above.

7. Cash and Cash Equivalents

This account consists of:

	2025	2024
	(In Millions)	
Cash on hand and in banks (Note 21)	₱33,154	₱30,550
Temporary investments (Note 21)	68,693	81,978
	₱101,847	₱112,528

Cash in banks and temporary investments earn interest at prevailing market rates. The maturities of temporary investments vary based on the Group's short-term liquidity requirements (see Note 24).

8. Time Deposits

This account consists of:

	2025	2024
	(In Millions)	
Current	₱3,217	₱221
Noncurrent	4,178	3,113
	₱7,395	₱3,334

Time deposits bear interest at rates ranging from 1.0% to 5.3% in 2025 and from 2.0% to 5.5% in 2024. Certain time deposits with maturities of up to one year are pledged as collateral for credit facilities. Interest income from time deposits is disclosed in Note 24.

9. Financial Assets at FVOCI

This account consists of:

	2025	2024
	(In Millions)	
Share of stock		
Listed	₱20,741	₱24,027
Unlisted	3,622	3,100
Club shares	30	29
	24,393	27,156
Less current portion	717	794
Noncurrent portion	₱23,676	₱26,362

Financial assets at FVOCI consist of equity investments, including shares of stock and club shares, that are not held for trading and have been irrevocably designated at FVOCI, as the Group considers these investments to be strategic in nature.

10. Receivables and Contract Assets

This account consists of:

	2025	2024
	(In Millions)	
Trade:		
Sales of real estate*	₱163,713	₱152,502
Rent from third-party tenants	11,155	11,844
Shipping and logistics**	4,367	3,360
Rent from related party tenants (Note 21)	620	586
Others	9,621	2,921
Royalty and service fees (Note 21)	1,799	2,205
Dividends (Note 21)	442	1,270
	191,717	174,688
Less allowance for ECL	3,316	3,355
	188,401	171,333
Less noncurrent portion of receivables from sales of real estate (Note 16)	94,302	79,064
Current Portion	₱94,099	₱92,269

* Includes unbilled revenue from sales of real estate of ₱137.8 billion and ₱133.5 billion as at December 31, 2025 and 2024, respectively.

** Includes contract assets representing shipping and logistics services delivered but not yet invoiced of ₱1.1 billion and ₱799.7 million as at December 31, 2025 and 2024, respectively.

The terms and conditions of these receivables follow:

- Receivables from real estate sales, whether billed or unbilled, relate primarily to the sale of condominium and residential units under various payment terms and may or may not bear interest.

Portions of these receivables were assigned to local banks on a without-recourse basis at ₱13.2 billion and ₱7.0 billion as at December 31, 2025 and 2024, respectively (Note 21). No receivables were assigned on a with-recourse basis in 2025 and 2024.

The discount on sale of receivable amounted to ₱0.3 billion, ₱0.1 billion and ₱0.7 billion for the years ended December 31, 2025, 2024 and 2023, respectively (see Note 24).

The transaction price allocated to remaining performance obligations amounted to ₱46.3 billion and ₱41.5 billion as at December 31, 2025 and 2024, respectively. These amounts are expected to be recognized over construction periods ranging from one to five years.

- Trade receivables from tenants, shipping and logistics, and royalty and service fees do not bear interest and are generally collectible within 30 days to one year.
- Dividend receivables do not bear interest and are generally collectible within the next financial year.
- Other trade receivables include receivables from banks for retail sales on credit and PGPC's sale of steam. These receivables are non-interest bearing and are normally collectible within 15 to 90 days. Receivables from banks amounted to ₱6.4 billion in 2025, presented under "Other trade receivables" in the consolidated balance sheets, and ₱8.3 billion in 2024, presented under "Other current assets" in the consolidated balance sheets. This change in presentation is not considered material to the financial statements.

An allowance for ECL is recognized for receivables from real estate sales, tenants, shipping and logistics, and other receivables identified as impaired based on individual and collective assessments. The movements in this account follow:

	2025	2024
	(In Millions)	
Balance at beginning of year:	P3,355	P3,284
Provisions (reversal) - net of write-off (Note 23)	(39)	71
Balance at end of year	P3,316	P3,355

No allowance for ECL was recognized on billed and unbilled revenue from real estate sales as at December 31, 2025 and 2024.

The aging of receivables and contract assets follows:

	2025	2024
	(In Millions)	
Neither past due nor impaired	P173,267	P160,076
Past due but not impaired:		
Less than 30 days	4,408	3,653
31-90 days	4,246	2,732
91-120 days	2,323	1,804
Over 120 days	4,157	3,068
Impaired	3,316	3,355
	P191,717	P174,688

Receivables other than those identified as impaired, are assessed as good and collectible.

11. Inventories

This account consists of:

	2025	2024
	(In Millions)	
Real estate inventories	P74,524	P76,933
Merchandise inventories	43,737	41,998
Processed food and others	906	745
	P119,167	P119,676

Inventories are stated at cost as at December 31, 2025 and 2024.

Real Estate Inventories

The movements in this account follow:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
	(In Millions)		
Balance as at January 1, 2024	P52,758	P25,135	P77,893
Development cost incurred	17,919	104	18,023
Cost of real estate sold	(11,963)	(7,178)	(19,141)
Transfers	(3,074)	3,074	–
Translation adjustment and others	143	15	158
Balance as at December 31, 2024	55,783	21,150	76,933

(Forward)

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
	<i>(In Millions)</i>		
Development cost incurred	P14,049	P–	P14,049
Cost of real estate sold	(10,734)	(6,885)	(17,619)
Transfers	(2,043)	2,043	–
Reclassifications from investment properties (Note 15)	714	–	714
Translation adjustment and others	239	208	447
Balance as at December 31, 2025	P58,008	P16,516	74,524

Real estate inventories include land and development, and condominium, residential units and subdivision lots for sale.

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of P2.4 billion and P2.0 billion as at December 31, 2025 and 2024, respectively.

The estimated cost to complete the projects amounted to P96.1 billion and P107.9 billion as at December 31, 2025 and 2024, respectively.

Real estate sales amounted to P40.6 billion, P45.9 billion and P42.1 billion for the years ended December 31, 2025, 2024 and 2023, respectively, of which P15.2 billion, P19.6 billion and P9.3 billion pertain to completed projects.

Deferred output VAT related to sales of real estate amounting to P18.2 billion and P16.6 billion as at December 31, 2025 and 2024, respectively, is presented under “Tenants’ deposits and others” in the consolidated balance sheets.

Income from forfeitures, except accounts covered by Maceda Law, otherwise known as the *Realty Installment Buyer Protection Act*, amounted to P1.6 billion, P2.1 billion and P2.1 billion for the years ended December 31, 2025, 2024 and 2023, respectively, and are presented under “Revenues - Others” in the consolidated statements of income.

Merchandise Inventories

The movements in this account follow:

	2025	2024
	<i>(In Millions)</i>	
Balance at beginning of year	P41,998	P38,870
Purchases	323,912	309,314
Total goods available for sale	365,910	348,184
Less cost of merchandise sales	322,173	306,186
Balance at end of year	P43,737	P41,998

There is no allowance for inventory write-down as at December 31, 2025 and 2024.

The details of cost of sales and services follow:

	2025	2024	2023
	<i>(In Millions)</i>		
Cost of sales:			
Merchandise	P322,173	P306,186	P294,402
Real estate	17,619	19,141	16,661
Processed food and others	11,685	11,579	11,601
Cost of shipping, logistics and other services	16,132	15,702	13,647
	P367,609	P352,608	P336,311

12. Other Current Assets

This account consists of:

	2025	2024
	(In Millions)	
Prepaid taxes and other prepayments	P11,307	P17,359
Bonds and deposits	12,805	11,705
Nontrade receivables	7,160	8,495
Input tax	4,254	7,600
Derivative assets (Note 29)	3,372	1,159
Uniform and supplies inventory	1,985	1,919
Accrued interest receivable (Note 21)	312	424
Others	1,160	9,651
	P42,355	P58,312

- Prepaid taxes and other prepayments consist of creditable tax certificates and prepayments for insurance, real property taxes, rent, and other expenses, generally utilized within the next financial year.
- Bonds and deposits represent down payments to suppliers and contractors covering preliminary construction costs. These do not bear interest and are applied against progress billings based on the percentage of project completion.
- Nontrade receivables include advances for future purchases and marketing support. These are generally collectible within the next financial year (see Note 24).
- Input tax represents VAT paid to suppliers that may be credited against future output VAT liabilities, subject to applicable regulations.
- Accrued interest receivable relates primarily to time deposits and is generally collectible within the next financial year.

13. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	2025	2024
	(In Millions)	
Balance at beginning of year	P399,485	P361,325
Additions	–	5,337
Disposal	–	(1,386)
Equity in net earnings	53,973	50,002
Dividends received and others	(16,561)	(15,141)
Share in other comprehensive income (loss) of associate companies	678	(562)
Impairment provision	(365)	(116)
Translation adjustment	20	25
Balance at end of year	P437,230	P399,484

* Investment in associate companies amounted to P425.0 billion and P388.1 billion as at December 31, 2025 and 2024, respectively.

For investments in associates and joint ventures with indicators of impairment, Management assesses whether the carrying amounts exceed the recoverable amounts. The recoverable amount is determined as the higher of fair value less costs of disposal and value in use (VIU), based on cash flow projections derived from financial budgets approved by senior management.

The VIU calculation is sensitive to the following key assumptions:

- Long-Term Growth Rate (terminal growth rate).** The long-term growth rate used to extrapolate cash flow projections beyond the period covered by the forecast is 5.0% and 4.0% in 2025 and 2024, respectively. A reasonably possible decrease of 2.0% in 2025 and 1.0% in 2024 would result in the carrying amount exceeding the recoverable amount.
- Pre-tax discount rates.** The discount rates reflect market assessments of the risks specific to the investment and are based on the industry's weighted average cost of capital, adjusted for entity-specific risks not reflected in the cash flows. The pre-tax discount rates applied range from 11.1% to 12.5% in 2025 and 9.2% to 12.5% in 2024. Management has assessed that no reasonably possible change in pre-tax discount rates would cause the carrying amount to exceed the recoverable amount.

In 2025, the Group recognized an additional impairment loss of ₱365.0 million on its investment in YCO Global Cloud Centers Holdings, Inc. (YCO), an unlisted associate, based on fair value less cost of disposal.

In 2024, the Group recognized an impairment loss of ₱200.0 million on its investment in YCO and an impairment reversal of ₱84.0 million related to the divestment of its investment in Premium Leisure Corp. (PLC) and Three Bears Group Holdings Corporation.

In 2023, the Group recognized an impairment reversal of ₱320.2 million related to the divestment of its investment in GPay Network PH Inc.

The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership				Principal Activities
	2025	2024			
	Gross	Effective	Gross	Effective	
Associates					
Amazing Philippines Digital Economy Corp.	-	-	35	18	Digital customer service and selling platform
Andwil Corporation	50	20	50	20	Retail
Asia-Pacific Computer Technology Center, Inc.	42	42	42	42	Investment
Atlas Consolidated Mining and Development Corporation	34	34	34	34	Mining
BDO Unibank, Inc.	47	45	47	45	Financial services
Belle Corporation	27	27	27	27	Real estate development and tourism
China Banking Corporation	23	23	23	23	Financial services
Citicore Energy REIT Corp. (CREIT)	29	29	29	29	Renewable energy real estate development
CityMall Commercial Centers, Inc.	34	34	34	34	Real estate development and tourism
Clarmil Manufacturing Corporation	42	27	42	27	Bakery products and other food items
Ecco Philippines, Inc.	50	39	50	39	Retail
Fast Retailing Philippines, Inc.	25	19	25	19	Retail
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	50	25	50	25	Real estate development
Fitness Health & Beauty Holdings Corp.	40	31	40	31	Retail
MCC Transport Philippines, Inc.	33	22	33	22	Integrated supply chain
Neo Associates ^(a)	34	34	34	34	Real estate development
Ortigas Land Corporation	40	20	40	20	Real estate development
Pluxee Philippines Incorporated	40	40	40	40	Retail
Watsons Personal Care Stores (Philippines), Inc.	40	31	40	31	Retail
Win With Love, Inc.	-	-	33	13	Retail
YCO Global Cloud Centers Holdings, Inc.	18	18	18	18	Data center
Joint Ventures					
Kerry Logistics (Phils), Inc.	63	33	63	33	Integrated supply chain
Metro Rapid Transit Service, Inc.	51	25	51	25	Transportation
ST 6747 Resources Corporation	50	25	50	25	Real estate development
Waltermart Mall ^(b)	51	25	51	25	Shopping mall development

The principal place of business and country of incorporation of the associate companies and joint ventures listed above is in the Philippines except for FHREC which was incorporated in China.

(a) Neo Associates consists of N-Park BGC Properties, Inc., N-Lima BGC Properties, Inc. and N-Park BGC Land, Inc.

(b) Waltermart Mall consists of Winsome Development Corporation, Willin Sales, Inc., Williamson, Inc., Waltermart Ventures, Inc., WM Development Inc. and WM Shopping Center Management Inc.

CREIT

In March 2024, the Group acquired 1.9 billion shares equivalent to 28.8% equity interest. CREIT is involved in exploration, development and utilization of energy resources with particular focus on solar and wind energy generation.

PLC

In May 2024, the Group disposed its 1.6 billion shares equivalent to 5.0% equity interest, through a tender offer of Belle, PLC's controlling shareholder.

BDO

The condensed financial information of the Group's material associate, BDO, follows:

	2025	2024
	(In Millions)	
Total assets	P5,431,556	P4,876,050
Total liabilities	4,787,410	4,298,655
Total equity	644,146	577,395
Proportion of the Group's ownership	45%	45%
	291,070	261,215
Goodwill and others	26,805	26,815
Carrying amount of the Group's investment	P317,875	P288,030

	2025	2024	2023
	(In Millions)		
Interest income	P294,665	P272,039	P231,704
Interest expense	(91,564)	(85,443)	(59,317)
Other expenses - net	(115,622)	(104,376)	(98,827)
Net income after tax	87,479	82,220	73,560
Other comprehensive income (loss)	1,149	(3,963)	(1,799)
Total comprehensive income	P88,628	P78,257	P71,761
Group's share in net income	P40,685	P38,319	P34,314
Group's share in other comprehensive income (loss)	P532	(P1,844)	(P843)

The aggregate comprehensive income of associates and joint ventures that are not individually material follows:

	2025	2024	2023
	(In Millions)		
Share in net income	P13,288	P11,683	P10,631
Share in other comprehensive income	146	1,257	201
Share in total comprehensive income	P13,434	P12,940	P10,832

The fair value of investments in associate companies which are listed in the Philippine Stock Exchange (PSE) follows:

	2025	2024
	(In Millions)	
BDO	P358,263	P379,550
China Bank	34,525	38,462
Atlas	7,310	5,309
CREIT	6,727	5,747
Belle	3,438	4,324

These investments are categorized as Level 1 in the fair value hierarchy.

14. Property and Equipment

The movements in this account follow:

	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment
Cost				
As at January 1, 2024	₱1,719	₱20,773	₱2,963	₱11,853
Additions	–	533	214	1,368
Reclassifications	–	1,519	165	84
Disposals/retirements	–	–	(84)	(231)
As at December 31, 2024	1,719	22,825	3,258	13,074
Additions	83	627	298	1,162
Reclassifications	354	784	56	74
Disposals/retirements	(5)	(76)	(35)	(677)
As at December 31, 2025	₱2,151	₱24,160	₱3,577	₱13,633
Accumulated Depreciation and Amortization				
As at January 1, 2024	₱–	₱8,155	₱2,122	₱9,011
Depreciation and amortization	–	1,062	243	943
Reclassifications	–	(15)	145	10
Disposals/retirements	–	–	(81)	(224)
As at December 31, 2024	–	9,202	2,429	9,740
Depreciation and amortization	–	1,191	247	1,253
Reclassifications	–	11	23	22
Disposals/retirements	–	(41)	(34)	(631)
As at December 31, 2025	₱–	₱10,363	₱2,665	₱10,384
Net Book Value				
As at December 31, 2025	₱2,151	₱13,797	₱912	₱3,249
As at December 31, 2024	1,719	13,623	829	3,334

To secure a ₱500.0 million term loan facility, 2GO used one of its passenger/cargo ships as collateral. The carrying amount of this ship in the Group's consolidated balance sheets is ₱2.2 billion and ₱2.3 billion as at December 31, 2025 and 2024, respectively (see Note 19).

Gains and/or losses arising from the disposal of certain properties and equipment amounted to a loss of ₱58.9 million in 2025 and a gain of ₱79.1 million and ₱31.1 million in 2024 and 2023, respectively, presented in the consolidated statements of income under "Foreign exchange gain - net and others".

Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
(In Millions)							
P12,782	P24,406	P32,823	P1,723	P15,354	P1,604	P6,124	P132,124
1,121	1,672	2,365	217	2,546	189	2,524	12,749
(35)	1,640	(5)	(10)	–	–	(3,583)	(225)
(246)	(200)	(623)	(95)	(2,440)	(22)	(10)	(3,951)
13,622	27,518	34,560	1,835	15,460	1,771	5,055	140,697
1,058	1,321	2,321	124	487	27	3,111	10,619
(83)	1,522	217	(19)	2	–	(2,605)	302
(215)	(468)	(559)	(21)	(14)	(240)	–	(2,310)
P14,382	P29,893	P36,539	P1,919	P15,935	P1,558	P5,561	P149,308
P10,207	P13,489	P24,822	P1,308	P8,722	P1,436	P–	P79,272
814	1,674	1,874	94	988	56	–	7,748
(76)	1	(50)	(12)	(5)	–	–	(2)
(237)	(196)	(591)	(95)	(2,232)	(22)	–	(3,678)
10,708	14,968	26,055	1,295	7,473	1,470	–	83,340
909	1,898	1,966	89	809	58	–	8,420
(87)	49	36	(59)	6	–	–	1
(192)	(393)	(533)	(21)	(14)	(240)	–	(2,099)
P11,338	P16,522	P27,524	P1,304	P8,274	P1,288	P–	P89,662
P3,044	P13,371	P9,015	P615	P7,661	P270	P5,561	P59,646
2,914	12,550	8,505	540	7,987	301	5,055	57,357

15. Investment Properties

The movements in this account follow:

	Land Held for Future Development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
(In Millions)						
Cost						
As at January 1, 2024	P88,195	P101,659	P338,935	P60,248	P83,503	P672,540
Additions	2,000	3,192	4,130	3,633	54,614	67,569
Reclassifications (Note 11)	2,836	(1,275)	14,711	2,788	(16,224)	2,836
Translation adjustment	–	23	895	77	125	1,120
Disposals	(121)	(208)	(367)	(222)	–	(918)
As at December 31, 2024	92,910	103,391	358,304	66,524	122,018	743,147
Additions	1,374	4,303	2,531	3,010	65,238	76,456
Reclassifications (Note 11)	(145)	4,296	16,887	3,716	(25,140)	(386)
Translation adjustment	–	97	3,666	338	503	4,604
Disposals	–	(240)	(305)	(78)	–	(623)
As at December 31, 2025	P94,139	P111,847	P381,083	P73,510	P162,619	P823,198
Accumulated Depreciation, Amortization and Impairment Loss						
As at January 1, 2024	P–	P3,048	P93,507	P38,918	P–	P135,473
Depreciation and amortization	–	269	10,067	4,254	–	14,590
Provision for impairment loss	–	360	–	–	–	360
Translation adjustment	–	15	197	46	–	258
Disposals	–	(32)	(251)	(200)	–	(483)
As at December 31, 2024	–	3,660	103,520	43,018	–	150,198
Depreciation and amortization	–	256	10,318	4,485	–	15,059
Reclassifications	–	18	(14)	(4)	–	–
Translation adjustment	–	74	975	183	–	1,232
Disposals	–	(238)	(155)	(71)	–	(464)
As at December 31, 2025	P–	P3,770	P114,644	P47,611	P–	P166,025
Net Book Value						
As at December 31, 2025	P94,139	P108,077	P266,439	P25,899	P162,619	P657,173
As at December 31, 2024	92,910	99,731	254,784	23,507	122,018	592,950

Rent income from investment properties, primarily attributable to SM Prime, amounted to P70.9 billion, P66.4 billion and P60.4 billion in 2025, 2024 and 2023, respectively. The related direct operating expenses amounted to P34.5 billion, P35.6 billion and P33.4 billion for the same periods.

Construction in progress includes construction costs incurred for new shopping malls, commercial buildings, hotels and convention centers and the redevelopment of existing malls amounting to P160.9 billion and P120.5 billion as at December 31, 2025 and 2024, respectively.

Retention payables related to construction contracts for various investment property projects, amounting to P10.3 billion and P6.5 billion as at December 31, 2025 and 2024, respectively, are presented under “Tenants’ deposits and others” in the consolidated balance sheets.

Portions of investment properties located in China amounting to P1.5 billion as at December 31, 2025 and 2024 are pledged as collateral for domestic borrowings (see Note 19).

Outstanding construction contracts with various contractors amounted to P39.1 billion and P63.4 billion as at December 31, 2025 and 2024, respectively, inclusive of overhead, labor, materials, and other costs necessary for project execution.

Interest capitalized to the construction of investment properties amounted to P10.2 billion and P7.4 billion for the years ended December 31, 2025 and 2024, respectively. Capitalization rates range from 1.9% to 6.6% in 2025 and 1.7% to 5.8% in 2024.

As at December 31, 2025 and 2024, the fair value of substantially all investment properties amounted to P2.6 trillion and P2.4 trillion, respectively, as determined by accredited independent appraisers with relevant qualifications and experience in valuing similar properties in the respective locations. Fair value represents the estimated selling price of the asset in an orderly arm's length transaction between market participants at the measurement date, in accordance with International Valuation Standards issued by the International Valuation Standards Council.

The valuations were primarily based on the Market Approach and the Income Approach. The Income Approach reflects the property's income-generating capacity. Significant assumptions include discount and capitalization rates, the range of which was 5.0% to 10.0%, with an average growth rate of 5.0%. Under the Market Approach, fair values were determined using the sales comparison method, and the range of adjustments applied to comparable transactions was a decrease of 5.0% to an increase of 30.0%. As at December 31, 2025, Management believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.

These investment properties are classified as Level 3 within the fair value hierarchy, as the valuations use significant unobservable inputs.

The Group has no restrictions on the realizability of its investment properties.

Gains or losses on disposal of investment properties in 2025, 2024 and 2023 are recognized in the consolidated statements of income under "Foreign exchange gain (loss) - net and others".

16. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	2025	2024
	(In Millions)	
Goodwill	P34,340	P34,340
Less accumulated impairment loss	81	81
Net book value	34,259	34,259
Trademarks and brand names	6,127	6,127
	P40,386	P40,386

Goodwill primarily relates to SM Prime, Supervalu, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, 2GO, GBI and PGPC.

The Group's trademarks and brand names primarily pertain to the brand names of SM Supermarket and SM Hypermarket, acquired in a 2006 business combination. These are assessed to have indefinite useful lives and were measured using the Relief-from-Royalty Method, applying a 3.5% royalty rate, which reflected the prevailing rate in the retail assorted category at the time of acquisition.

The recoverable amounts of goodwill, trademarks, and brand names were determined using VIU calculations based on cash flow projections from financial budgets approved by senior management covering a five-year period, and fair value less costs of disposal of the underlying net assets of the CGUs.

The VIU calculation is most sensitive to the following assumptions:

- Long-Term Growth Rates.* The long-term growth rates used to extrapolate cash flow projections beyond the period covered by the forecast range from 3.0% to 3.4% in 2025 and 2024.
- Pre-tax discount rates.* Discount rates reflect current market assessments of the risks specific to each CGU and are based on the industry's weighted average cost of capital, adjusted for risks not reflected in the cash flows. Pre-tax discount rates applied range from 8.5% to 10.5% and 9.2% to 12.5% in 2025 and 2024, respectively.

Fair value less cost of disposal. The fair values of the CGUs were determined using quoted market prices, less costs of disposal.

Management assessed that no reasonably possible change in pre-tax discount rates, future cash inflows, or fair values would cause the carrying amount of goodwill in 2025 and 2024 to materially exceed its recoverable amount.

Other Noncurrent Assets

This account consists of:

	2025	2024
	(In Millions)	
Receivables from sales of real estate (Note 10)*	P94,302	P79,064
Bonds and deposits	47,105	46,127
Creditable withholding tax	9,910	2,809
Input VAT	8,576	1,228
Deferred exploration costs	7,242	5,569
Deferred tax assets (Note 26)	5,413	5,459
Derivative assets (Note 29)	1,338	4,219
Escrow fund (Notes 12 and 21)	1,035	822
Defined benefit asset (Note 25)	357	251
Others	1,130	867
	P176,408	P146,415

* Pertains to the noncurrent portion of unbilled revenue from sales of real estate.

- Bonds and deposits include security deposits for leased properties and deposits paid to contractors and suppliers in connection with construction projects and service contracts.
- Escrow fund consists primarily of funds deposited by the Parent Company with an escrow agent, as required by the SEC in connection with the 2013 corporate restructuring, and by SM Prime, as required by the Department of Human Settlements and Urban Development, in compliance with the incentive provisions of the Urban Development and Housing Act.

17. Bank Loans

This account consists of:

	2025	2024
	(In Millions)	
Subsidiaries:		
China yuan renminbi-denominated loans*	P2,313	P1,282
Peso-denominated loans	17,910	22,792
	P20,223	P24,074

* Secured by time deposits (see Note 8)

Peso-denominated loans bear interest ranging from 4.8% to 6.6% in 2025 and from 5.5% to 7.0% in 2024. Renminbi-denominated loans bear interest based on the China Loan Prime Rate (LPR) in both years.

These loans mature within one year. Interest on bank loans is disclosed in Note 24.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2025	2024
	(In Millions)	
Trade	P125,481	P125,209
Accrued expenses	25,853	26,937
Nontrade	22,381	18,687
Tenants' and customers' deposits*	14,427	12,907
Payables to government agencies	7,218	6,398
(Forward)		

	2025	2024
	(In Millions)	
Accrued interest (Note 21)	P4,179	P4,072
Lease liabilities (Note 27)	3,377	3,196
Payable arising from acquisition of land	2,591	3,004
Subscriptions payable	1,967	1,966
Dividends payable	476	2,328
Others	5,134	5,669
	P213,084	P210,373

* Includes unearned revenues from shipping and logistics of P233.7 million and P154.3 million as at December 31, 2025 and 2024, respectively, and unearned revenues from sales of real estate of P7.0 billion and P9.0 billion as at December 31, 2025 and 2024, respectively.

- Trade payables primarily represent amounts due to suppliers and contractors. These do not bear interest and are generally settled within 30 to 60 days.
- Accrued expenses pertain to costs and expenses which are normally settled within twelve months. Details follow:

	2025	2024
	(In Millions)	
Marketing and advertising and others	P9,366	P8,844
Payable to contractors	9,008	11,407
Utilities	6,214	5,425
Co-loading termination cost	714	673
Salaries and wages	551	588
	P25,853	P26,937

- Nontrade payables, accrued interest, subscriptions payable, and others are expected to be settled within the next financial year.
- Tenants' deposits refer to security deposits received from tenants upon execution of lease contracts. These are refundable upon lease termination, net of unpaid rentals, penalties, and repair costs for damages to the leased properties. Customers' deposits mainly represent excess collections from real estate buyers over revenue recognized based on POC, as well as non-refundable reservation fees applied to receivables upon conversion to sales. In 2025 and 2024, revenues from sales of real estate of 5.3 billion and P2.1 billion, respectively, were recognized from the beginning balance of unearned revenues.
- Payables to government agencies mainly consist of output tax and are generally settled within the next financial year.
- Payable arising from acquisition of land is expected to be settled within the next financial year.
- Others include gift checks redeemable, advance rentals, deferred rent and others.

19. Long-term Debt

This account consists of:

					December 31, 2024
December 31, 2025					
	Availment	Maturity	Interest Rate/Term	Amount	Amount
(In Millions)					
Parent Company					
U.S. dollar-denominated*	April 2025	April 2032	Fixed 4.9%; quarterly	₱3,389	₱4,628
GBP-denominated*	July 2023	July 2028	Fixed 5.3%; quarterly	3,304	6,541
Peso-denominated	March 2021 - February 2022	June 2026 - May 2031	Fixed 4.0%-4.8%; semi-annual and quarterly	28,236	45,574

(Forward)

December 31, 2025					December 31, 2024
	Availment	Maturity	Interest Rate/Term	Amount	Amount
(In Millions)					
Subsidiaries					
U.S. dollar-denominated*	January 2021 - September 2025	January 2026 - September 2030	Fixed 4.8%-5.4%; SOFR + spread; semi-annual and quarterly	P115,518	P 104,979
China yuan renminbi- denominated**	May 2021 - December 2025	April 2026 - June 2037	Fixed 3.7%; LPR, SOFR; annually	10,834	10,831
Peso-denominated***	July 2016 - December 2025	February 2026 - November 2035	Fixed 3.8%-7.0%; BVAL + margin	332,091	306,004
				493,372	478,557
Less debt issue cost				2,136	2,057
				491,236	476,500
Less current portion				100,397	104,628
				P390,839	P371,872

BVAL – Bloomberg Valuation

SOFR – Secured Overnight Financing Rate

LPR – Loan Prime Rate

* Includes loans hedged against foreign exchange and interest rate risks using derivative instruments and loans unconditionally and irrevocably guaranteed by the Parent Company.

** Hedged against foreign exchange and interest rate risks using derivative instruments and secured by portions of investment properties located in China (see Note 15)

*** Includes loans secured by portions of property and equipment (see Note 14)

Debt Issue Cost

The movements in unamortized debt issue cost follow:

	2025	2024
(In Millions)		
Balance at beginning of year	P2,057	P2,357
Additions	1,024	788
Amortization and others	(945)	(1,088)
Balance at end of year	P2,136	P2,057

The amortization of debt issue cost is recognized in the consolidated statements of income under “Interest expense”.

Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2025 follows:

	Gross Debt	Debt Issue Cost	Net
(In Millions)			
Within 1 year	P100,940	P543	P100,397
Over 1 year to 5 years	289,012	1,423	287,589
Over 5 years	103,420	170	103,250
	P493,372	P2,136	P491,236

Covenants

The Group's long-term debt is subject to certain covenants, including compliance with specified financial ratios and restrictions on material changes in ownership or control. As at December 31, 2025 and 2024, the Group is in compliance with all debt covenants.

20. Equity

Capital Stock

a. Common stock

	Number of Shares	
	2025	2024
Authorized - P10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,233,154,140	1,226,114,578

As at December 31, 2025 and 2024, the Parent Company is compliant with the minimum public float as required by the PSE.

In February 2025, the Parent Company issued 7.0 million new SMIC common shares to ICDC in exchange for land valued at P6.2 billion. This property-for-share swap transaction between the Parent Company and ICDC, a wholly-owned subsidiary, was approved by the BOD in August 2024. The valuation of subject properties was approved by the SEC in February 2025.

Information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
March 22, 2005		105,000,000	P250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007 (4.3% stock dividends)		25,023,038	10
October 4, 2010 to March 13, 2012			
Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013			
Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24 and July 12, 2013			
(25.0% stock dividends)		157,657,314	10
July 18, 2013 to November 1, 2013			
Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014 Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015			
Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10
August 1, 2022 (merger)		21,531,471	904
August 3, 2022		240	10
February 28, 2025 (property-for-share swap)		7,039,562	881

The total number of shareholders of the Parent Company is 1,253 and 1,258 as at December 31, 2025 and 2024, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2025	2024
Authorized - P10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2025 and 2024.

Treasury Stock

In February 2025, the BOD approved the creation and implementation of a share buyback program involving up to ₱60.0 billion of the Parent Company's common shares.

As at December 31, 2025, the Parent Company has purchased a total of 6.9 million common shares at an average price of ₱740.21, totaling ₱5.1 billion. As at December 31, 2025 and December 31, 2024, the Parent Company held 11.0 million and 4.1 million treasury shares, respectively.

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions include the following:

- Acquisition of various SM China Companies by SM Prime in 2007.
- Acquisition of various service companies by SM Retail in 2009.
- Corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets in SM Prime in 2013.
- Merger of SM Retail with other retail affiliates in 2016.
- SM Prime common control business acquisitions in 2016 and 2017.
- Merger of the Parent Company with Allfirst in August 2022.
- SM Retail common control business acquisition in 2024.

These acquisitions were considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the consolidated financial statements.

Additional Paid-in Capital

Additional paid-in capital consists primarily of share premium arising from the issuance of shares in excess of par value and equity adjustments from transactions with non-controlling interests that do not result in loss of control. It also includes other equity reserves recognized directly in equity in accordance with PFRS.

Retained Earnings

- Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
		(In Millions)
Appropriation	November 10, 2021	37,000
Reversal	November 13, 2024	(37,000)
Addition	November 13, 2024	30,000

Retained earnings appropriated as at December 31, 2025 is intended for new investments for the years 2026 to 2027.

- Unappropriated

The Parent Company's cash dividend declarations in 2025 and 2024 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				(In Millions)
<i>Regular</i>				
April 30, 2025	May 16, 2025	May 29, 2025	₱11.00	₱13,515
April 24, 2024	May 9, 2024	May 23, 2024	9.00	10,998
<i>Special</i>				
April 30, 2025	May 16, 2025	May 29, 2025	2.00	2,457

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱513.8 billion and ₱454.4 billion as at December 31, 2025 and 2024, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

The retained earnings of the Parent Company available for dividend declaration amounted to ₱72.7 billion, ₱54.9 billion and ₱43.8 billion as at December 31, 2025, 2024 and 2023, respectively.

21. Related Party Disclosures

Parties are considered related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other in making financial and operating decisions, or if they are subject to common control. The Group has a policy requiring that related party transactions which exceed specified thresholds and/or are not conducted in the ordinary course of business be reviewed and approved by the Related Party Transactions Committee under the BOD.

The significant transactions with related parties follow:

- Rent

The Group has lease agreements for office and commercial spaces with related companies, including entities within the banking group and retail and other entities under common stockholders.

- Royalty and Service Fees

The Parent Company and SM Retail receive service fees from retail entities under common stockholders for management, consultancy, manpower, and other services. The Parent Company also receives royalty fees from certain related parties.

- Dividend Income

The Group earns dividend income from related parties under common stockholders.

- Cash Placements and Loans

The Group maintains bank accounts and cash placements, and has bank loans and other borrowings, with BDO and China Bank. These accounts earn interest at prevailing market rates.

- Tenants' deposits

The Group holds lease security deposits from related parties for its investment properties. These deposits are refundable upon termination of the lease agreements.

- Others

In the normal course of business, the Group has outstanding receivables from and payables to related companies. These balances are unsecured and are generally settled in cash.

The related party transactions and outstanding balances follow:

Company	Transaction Amount			Outstanding Amount	
	2025	2024	2023	2025	2024
<i>(In Millions)</i>					
Banking Group					
Cash placement and investment in marketable securities ^{a, b}	₱–	₱–	₱–	₱94,786	₱100,090
Interest receivable	–	–	–	60	206
Interest income	3,343	3,803	3,115	–	–
Interest-bearing debt ^{a, b}	–	–	–	60,490	63,857
Interest payable	–	–	–	592	350
Interest expense	3,502	3,793	3,046	–	–
Rent receivable	–	–	–	169	169
Rent income	1,463	1,368	1,308	–	–
Receivable financed	13,188	6,967	4,131	–	–
Royalty and service fee receivable	–	–	–	10	9
Royalty and service fee income	282	19	117	–	–
Escrow fund ^a	–	–	–	1,033	820
Tenants' deposits	–	–	–	734	732

(Forward)

Company	Transaction Amount			Outstanding Amount	
	2025	2024	2023	2025	2024
	(In Millions)				
Retail and Other Entities					
Rent receivable	P–	P–	P–	P451	P417
Rent income	3,138	2,711	2,378	–	–
Rent expense	5	–	–	–	–
Rent payable	–	–	–	–	4
Royalty and service fee receivable	–	–	–	1,781	2,133
Royalty and service fee income	2,922	2,886	2,469	–	–
Shipping, logistics and other service income	51	113	47	–	–
Dividend income	1	–	–	–	–
Service fee payable	–	–	–	5	–
Service fee expense	42	–	–	–	–
Trade receivable	–	–	–	19	44
Nontrade receivable	–	–	–	192	247
Trade payable	–	–	–	3	110
Nontrade payable	–	–	–	17	1,003
Dividends receivable	–	–	–	302	973
Bonds and deposits	–	–	–	3	3
Tenants' deposits	–	–	–	949	842

^a Interest-bearing

^b Partially secured

Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are generally settled in cash. The Group did not recognize any impairment loss on amounts due from related parties.

Compensation of Key Management Personnel

The aggregate compensation and benefits relating to key management personnel in 2025, 2024 and 2023 consist of short-term employee benefits amounting to P5.4 billion, P4.7 billion and P4.1 billion, respectively, and post-employment benefits amounting to P687.7 million, P634.8 million and P543.5 million, respectively.

22. Other Revenues

This account consists of:

	2025	2024	2023
	(In Millions)		
Shipping, logistics and other services	P19,357	P18,775	P16,725
Sales - processed food and others	18,266	19,072	19,964
Cinema and event ticket sales and others	9,924	10,216	9,028
Royalty and service fees	6,072	7,183	7,756
Food and beverage	3,134	2,661	2,339
Dividends	882	871	912
Others	12,266	10,364	8,948
	P69,901	P69,142	P65,672

Others include membership revenues, sponsorship income and related items, commission income as well as miscellaneous income from the various business operations of the Group.

23. Costs and Expenses

This account consists of:

	2025	2024	2023
		(In Millions)	
Cost of sales and services (Note 11)	P367,609	P352,608	P336,311
Personnel cost (Note 21)	40,950	37,973	34,202
Depreciation and amortization (Notes 14, 15, 16 and 27)	25,566	24,298	22,745
Utilities	17,439	15,488	15,134
Taxes and licenses	12,908	12,540	10,760
Outside services	10,949	10,273	10,522
Marketing and selling	9,501	9,400	9,518
Supplies	6,388	6,032	5,553
Rent (Note 27)	5,673	5,646	3,716
Provisions - net (Note 10)	2,092	4,176	4,400
Transportation and travel	1,785	1,631	1,273
Repairs and maintenance	1,766	2,612	2,768
Pension (Note 25)	1,634	1,734	1,490
Data processing	1,632	1,048	1,097
Professional fees	914	918	762
Insurance	912	953	1,107
Communications	630	719	556
Management and royalty fees (Note 21)	620	767	361
Entertainment, representation and amusement	611	583	494
Donations	454	457	363
Others	11,347	13,095	10,952
	P521,380	P502,951	P474,084

Others mainly consist of dues and subscriptions, commissions, and bank charges.

24. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2025	2024	2023
		(In Millions)	
Interest income on:			
Cash in banks and temporary investments (Note 7)	P3,313	P3,712	P2,878
Time deposits and other noncurrent assets (Notes 8 and 16)	188	529	841
Others (Note 12)	339	336	329
	P3,840	P4,577	P4,048
Interest expense on:			
Long-term debt (Note 19)	P18,112	P19,881	P20,939
Lease liabilities (Note 27)	2,199	2,066	1,999
Bank loans (Note 17)	1,347	1,660	1,077
Others	120	103	70
	P21,778	P23,710	P24,085

25. Pension Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees.

Net benefit expense (included under “Costs and Expenses” in the consolidated statements of income) consists of:

	2025	2024	2023
		(In Millions)	
Current service cost	P1,526	P1,538	P1,360
Net interest cost	292	365	287
Past service cost - curtailment	34	18	10
	P1,852	P1,921	P1,657
Pension expense (Note 23)	P1,634	P1,734	P1,490
Cost of sales and services (Note 23)	218	187	167

Changes in the net defined benefit liability and asset follow:

- Net Defined Benefit Liability

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability (Asset)
		(In Millions)	
As at January 1, 2024	P17,984	P11,049	P6,935
Net benefit expense (Note 23):			
Current service cost	1,289	–	1,289
Net interest cost	916	568	348
Past service cost - curtailment	18	–	18
	2,223	568	1,655
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(100)	100
Actuarial changes arising from:			
Changes in financial assumptions	(1,628)	–	(1,628)
Changes in demographic assumptions	(134)	–	(134)
Experience adjustment	426	–	426
	(1,336)	(100)	(1,236)
Reclassifications to defined benefit assets	(2,670)	(2,269)	(401)
Personnel transfers	193	123	70
Actual contributions	–	1,568	(1,568)
Benefits paid	(893)	(881)	(12)
Transfer to related parties	(3)	(3)	–
Other adjustments	10	10	–
As at December 31, 2024	15,508	10,065	5,443
Net benefit expense (Note 23):			
Current service cost	1,092	–	1,092
Net interest cost	780	493	287
Past service cost - curtailment	34	–	34
	1,906	493	1,413
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(269)	269
Actuarial changes arising from:			
Changes in financial assumptions	(757)	–	(757)
Changes in demographic assumptions	(71)	–	(71)
Experience adjustment	197	–	197
	(631)	(269)	(362)
Reclassifications to defined benefit assets	(2,573)	(2,132)	(441)
Personnel transfers	436	192	244
Actual contributions	–	1,232	(1,232)
Benefits paid	(679)	(669)	(10)
Transfer to related parties	24	24	–
Other adjustments	(9)	(6)	(3)
As at December 31, 2025	P13,982	P8,930	P5,052

• Net Defined Benefit Asset

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
(In Millions)				
As at January 1, 2024	P289	P434	P34	(P111)
Net benefit expense (Note 23):				
Current service cost	249	–	–	249
Net interest cost	184	168	1	17
	433	168	1	266
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)				
Actuarial changes arising from:	–	(69)	–	69
Changes in financial assumptions	(276)	–	–	(276)
Changes in demographic assumptions	(27)	–	–	(27)
Experience adjustment	(210)	–	–	(210)
Others	–	–	3	3
	(513)	(69)	3	(441)
Reclassifications from defined benefit liabilities	2,669	2,268	–	401
Personnel transfers	(183)	(113)	–	(70)
Actual contributions	–	296	–	(296)
Benefits paid	(211)	(211)	–	–
Transfer from the plan	17	17	–	–
Amount not recognized due to asset limit	–	–	38	38
Other adjustments	–	–	(38)	(38)
As at December 31, 2024	2,501	2,790	38	(251)
Net benefit expense (Note 23):				
Current service cost	434	–	–	434
Net interest cost	307	304	2	5
	741	304	2	439
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	(101)	–	101
Actuarial changes arising from:				
Changes in financial assumptions	(231)	–	–	(231)
Experience adjustment	27	–	–	27
Others	–	–	5	5
	(204)	(101)	5	(98)
Reclassifications from defined benefit liabilities	2,573	2,132	–	441
Personnel transfers	(418)	(171)	–	(247)
Actual contributions	–	641	–	(641)
Benefits paid	(279)	(279)	–	–
Transfer from the plan	(3)	(3)	–	–
Amount not recognized due to asset limit	–	–	46	46
Other adjustments	–	–	(46)	(46)
As at December 31, 2025	P4,911	P5,313	P45	(P357)

The principal assumptions used in determining the pension obligations of the Group follow:

	2025	2024
Discount rate	4.7% - 6.9%	5.8% - 6.2%
Future salary increases	3.0% - 8.0%	3.0% - 8.0%

The assets of the Pension Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Pension Plan. The carrying amounts, which approximate the estimated fair values of the Plan assets, follow:

	2025	2024
	(In Millions)	
Cash and cash equivalents	P490	P284
Investment in debt and other securities	882	963
Investment in common trust funds	5,113	4,566
Investment in equity securities	458	462
Investment in government securities	7,192	6,481
Others	107	98
	P14,242	P12,854

- Cash and cash equivalents include regular savings and time deposits.
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 5.0% to 7.8% and 4.8% to 7.8% in 2025 and 2024, respectively. These have maturities from October 2026 to December 2029 and October 2025 to December 2029 in 2025 and 2024, respectively.
- Investment in common trust funds consists of unit investment trust fund placements.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investment in government securities consists of retail treasury bonds. These bonds bear interest ranging from 3.6% to 9.3% and 3.4% to 8.6% in 2025 and 2024, respectively. These bonds have maturities from February 2026 to April 2035 and February 2026 to January 2034 in 2025 and 2024, respectively.
- Others pertain to accrued interest income on cash deposits and debt securities held by the Plan.

The outstanding balances and transactions of the Pension Plan with the trustee bank follow:

	2025	2024
	(In Millions)	
Balances:		
Cash and cash equivalents	P476	P284
Investment in common trust funds	5,099	4,552
Transactions:		
Interest income from cash and cash equivalents	247	255
Net income from investment in common trust funds	233	229

The Group expects to contribute about P8.6 billion to its Pension Plan in 2026.

The sensitivity analysis below has been determined based on reasonably possible changes in each significant assumption on the defined benefit obligation as at December 31, 2025 and 2024, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
	(In Millions)	
2025		
Discount rates	50	(P2,290)
	(50)	2,517
Future salary increases	100	2,771
	(100)	(2,508)
No attrition rate	-	865
(Forward)		

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation (In Millions)
2024		
Discount rates	50	(P2,179)
	(50)	2,402
Future salary increases	100	2,682
	(100)	(2,420)
No attrition rate	–	2,212

The average duration of the Group's defined benefit obligation is 3 to 22 years in 2025 and 2024.

The maturity analysis of the undiscounted benefit payments follows:

	2025	2024
	(In Millions)	
Year 1	P4,759	P4,815
Year 2	1,462	1,444
Year 3	1,577	1,434
Year 4	1,944	1,583
Year 5	2,130	2,010
Years 6 - 10	11,906	12,139

The Plan assets are not matched to any specific defined benefit obligation.

26. Income Tax

The details of the Group's deferred tax assets and liabilities follow:

	2025	2024
	(In Millions)	
Deferred tax assets:		
Lease liabilities	P12,244	P9,835
NOLCO	2,445	2,586
Unamortized past service cost and defined benefit liability	1,438	1,536
Provision for expected credit losses and others	1,140	1,488
MCIT	761	720
Excess of fair values over cost of investment properties	527	551
Accrued leases	43	88
	18,598	16,804
Deferred tax liabilities:		
Unrealized gross profit on sales of real estate	15,198	13,401
ROU assets	9,947	8,120
Appraisal increment on investment property	4,023	4,169
Capitalized interest	2,965	3,072
Trademarks and brand names	1,471	1,471
Unamortized past service cost and defined	107	85
Excess of fair values over cost of equity	99	55
Others	513	417
	34,323	30,790
Net deferred tax liabilities	P15,725	P13,986

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2025	2024
	(In Millions)	
Deferred tax assets (Note 16)	P5,413	P5,459
Deferred tax liabilities	21,138	19,445
	(P15,725)	(P13,986)

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to P2.8 billion and P3.4 billion as at December 31, 2025 and 2024, respectively.

Corporate Recovery and Tax Incentives for Enterprises Act

Applying the provision of the CREATE Act, the Group computed income tax using the following methods:

- 25% on taxable income based on itemized expense deduction
- 15% on taxable income based on optional standard deduction
- 1% minimum corporate income tax (MCIT) on gross income for three years until June 30, 2023, and 2% onwards

The reconciliation between the statutory tax rates and the Group's effective tax rate on income before income tax follows:

	2025	2024	2023
Statutory income tax rate	25%	25%	25%
Income tax effect of reconciling items:			
Equity in net earnings of associate companies and joint ventures	(9)	(9)	(9)
Interest income subjected to final tax	(1)	(1)	(1)
Others	(2)	(1)	(1)
	13%	14%	14%

Pillar Two Model Rules

The Organisation for Economic Co-operation and Development (OECD) has issued the Global Anti-Base Erosion (GLoBE) Model Rules (Pillar Two), which establish a 15% minimum effective tax rate on a jurisdictional basis. The rules apply to multinational enterprise (MNE) groups with consolidated annual revenues of at least €750 million in at least two of the four fiscal years immediately preceding the tested fiscal year. The Group is within the scope of Pillar Two.

Pillar Two legislation has been enacted in certain jurisdictions where the Group operates and is effective for financial years beginning on or after January 1, 2025. Based on its assessment using 2025 financial information of its constituent entities, the effective tax rates in most jurisdictions exceed 15%, and the Group qualifies for applicable safe harbour relief. Accordingly, no additional provision for income tax is recognized.

The Group applies the temporary exception under PAS 12 from recognizing and disclosing deferred taxes related to Pillar Two income taxes. The Group continues to monitor legislative developments to assess potential future impacts on its consolidated financial statements.

27. Lease Agreements

As Lessor. The Group's lease agreements with tenants generally have terms ranging from one to twenty-five years. Upon inception of the lease, tenants are required to pay security deposits. Tenants also pay a fixed monthly rent based on a specified rate per square meter of leased area. Certain tenants pay the higher of a fixed monthly rent or a percentage of gross sales.

The minimum lease receivables under the non-cancellable operating leases follow:

	2025	2024
	(In Millions)	
Within one year	P8,837	P7,811
Over one year to five years	15,962	14,474
Over five years	2,681	2,996
	P27,480	P25,282

As Lessee. The Group leases parcels of land on which certain malls are located, as well as retail store and office spaces, warehouses, containers, reefer vans, ISO tanks, cargo handling equipment, transportation equipment, and container yards. Lease terms range from one to fifty years and are generally renewable for the same period under similar terms and conditions. Rental payments are typically based on a fixed amount or a percentage of gross rental income, whichever is higher.

There are also non-cancellable operating lease commitments with terms ranging from two to thirty years, most of which include renewal options and provisions for additional rent based on a percentage of sub-lessees' sales.

The rollforward analysis of ROU assets follows:

December 31, 2025			
		Retail Stores, Office Spaces, Warehouses and Others	Total
	Land Use Rights		
	(In Millions)		
Cost			
As at beginning of year	₱32,552	₱34,717	₱67,269
Additions	3	6,452	6,455
Translation adjustment	1,152	–	1,152
Reclassifications (Note 11)	–	(735)	(735)
Retirements and terminations	(464)	(3,979)	(4,443)
As at end of year	33,243	36,455	69,698
Accumulated Depreciation and Amortization			
As at beginning of year	3,859	14,225	18,084
Depreciation and amortization	779	3,438	4,217
Translation adjustment	81	–	81
Reclassifications	–	(570)	(570)
Retirements and terminations	(69)	(3,747)	(3,816)
As at end of year	4,650	13,346	17,996
Net Book Value	₱28,593	₱23,109	₱51,702

December 31, 2024			
		Retail Stores, Office Spaces, Warehouses and Others	Total
	Land Use Rights		
	(In Millions)		
Cost			
As at beginning of year	₱32,165	₱32,821	₱64,986
Additions	98	4,541	4,639
Translation adjustment	296	–	296
Reclassifications (Note 11)	(7)	146	139
Retirements and terminations	–	(2,791)	(2,791)
As at end of year	32,552	34,717	67,269
Accumulated Depreciation and Amortization			
As at beginning of year	3,064	13,381	16,445
Depreciation and amortization	790	3,379	4,169
Translation adjustment	12	–	12
Reclassifications	(7)	(160)	(167)
Retirements and terminations	–	(2,375)	(2,375)
As at end of year	3,859	14,225	18,084
Net Book Value	₱28,693	₱20,492	₱49,185

The rollforward analysis of lease liabilities follows:

	2025	2024
	(In Millions)	
As at beginning of year	P36,388	P35,320
Additions	6,455	4,639
Interest expense (Note 24)	2,199	2,066
Terminations	(913)	(572)
Payments	(5,466)	(5,308)
Reclassification and others	(114)	243
As at end of year	38,549	36,388
Less current portion (Note 18)	3,377	3,196
Noncurrent portion	P35,172	P33,192

Following are the amounts recognized in the consolidated statements of income:

	2025	2024
	(In Millions)	
Depreciation of ROU assets	P4,217	P4,169
Interest expense on lease liabilities	2,199	2,066

The Group has lease contracts that include extension and termination options, negotiated to provide flexibility in managing its leased asset portfolio.

Management applies significant judgment in assessing whether these extension and termination options are reasonably certain to be exercised.

The future minimum lease payables under the non-cancellable leases follow:

	2025	2024
	(In Millions)	
Within one year	P3,567	P3,373
Over one year to five years	12,134	10,020
Over five years	37,000	38,093
	P52,701	P51,486

Lease deposits received from tenants, amounting to P29.2 billion and P28.5 billion as at December 31, 2025 and 2024, respectively, are presented under "Tenants' deposits and others" in the consolidated balance sheets.

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, time deposits, financial assets at FVOCI, nontrade receivables, bonds and deposits, receivables from banks, accrued interest receivable, bank loans, long-term debt, and lease liabilities. The Group also has trade receivables, accounts payable, and other current liabilities arising directly from operations.

The Group enters into derivative transactions, principally cross-currency swaps, interest rate swaps, foreign currency call options, and non-deliverable forwards, used primarily for risk management, consistent with the Group's risk management policies.

The main risks arising from the Group's financial instruments follow:

- *Interest rate risk.* Fixed-rate instruments are subject to fair value interest rate risk, while floating-rate instruments are subject to cash flow risk arising from changes in interest rates. Floating-rate instruments are typically repriced every three or six months.
- *Foreign currency risk.* The Group is exposed to foreign currency risk as the Parent Company and SM Prime have significant investments and debt that are denominated in U.S. dollars (USD) and Renminbi (RMB/CNY).
- *Liquidity risk.* The risk that the Group may encounter difficulties in raising funds to meet commitments arising from financial instruments.

- *Credit risk.* The risk of loss if a counterparty fails to meet its contractual obligations.
- *Equity price risk.* Exposure arises from investments in quoted equity shares classified as equity investments at FVOCI in the consolidated statements of financial position; values are affected by movements in equity indices and individual stock prices.

The Board is apprised of the Group's risks as part of the Group Risk Management Strategy. Treasury and risk policies are set and implemented by management.

Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to its long-term borrowings (see Note 19). The Group follows a conservative funding strategy, preferring longer-tenor funding and aiming for a stable mix of fixed and variable rates aligned with its underlying cash flows. To achieve this, the Group uses interest rate and cross-currency swaps that exchange fixed and floating interest payments at set intervals. These derivatives are designated as cash flow hedges of the related borrowings. The Group also uses a rollover approach for certain currency forwards, replacing contracts that mature before the related exposure to maintain coverage.

As at December 31, 2025 and 2024, after considering the effect of the swaps, approximately 61.3% and 72.8%, respectively of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates.

Interest Rate Risk Sensitivity Analysis. The table below shows the estimated effects of reasonably possible changes in market interest rates on the Group's floating-rate debt, assuming all other variables remain constant. The assumptions used in the interest rate sensitivity analysis are derived from market-observable conditions at the reporting date.

	Increase (Decrease) in Basis Points	Effect on Income Before Tax (In Millions)
2025	100	(P58.1)
	50	(29.1)
	(100)	58.1
	(50)	29.1
2024	100	(P125.2)
	50	(62.6)
	(100)	125.2
	(50)	62.6

The assumed movement in basis points for interest rate sensitivity analysis is based on observable market conditions.

Foreign Currency Risk

The Group aims to reduce foreign currency risk through on-balance sheet hedges and the use of derivatives, including cross-currency swaps, foreign currency call options, and non-deliverable forwards. The Group's foreign currency-denominated financial assets and liabilities, and their Peso equivalents, are presented below.

	2025		2024	
	US\$	PhP	US\$	PhP
	(In Millions)			
Current assets:				
Cash and cash equivalents	\$6	P361	\$21	P1,232
Receivables and contract assets	–	3	2	100
Total assets	6	364	23	1,332
Current liabilities:				
Accounts payable and other current liabilities	2	117	14	790
Noncurrent liabilities:				
Long-term debt – net of current portion	–	–	14	835
Total liabilities	2	117	28	1,625
Net	\$4	P247	(\$5)	(P293)

As at December 31, 2025 and 2024, approximately 26.4% and 25.5%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The Group recognized net foreign exchange gain of ₱563.8 million, ₱571.9 million and ₱328.7 million in 2025, 2024 and 2023, respectively. This resulted from movements in the closing rate of U.S. dollar against the Philippine peso as follows:

	U.S. Dollar to Peso
December 31, 2025	₱58.790
December 31, 2024	57.845
December 31, 2023	55.370

Foreign Currency Risk Sensitivity Analysis. The table below shows the estimated effect of a reasonably possible change in the U.S. dollar to Philippine peso exchange rate on the Group's foreign currency-denominated financial assets and liabilities, assuming all other variables remain constant.

	Appreciation (Depreciation) of Peso	Effect on Income Before Tax
		(In Millions)
2025	₱1.50	(₱6.3)
	1.00	(4.2)
	(1.50)	6.3
	(1.00)	4.2
2024	₱1.50	₱7.6
	1.00	(5.1)
	(1.50)	(7.6)
	(1.00)	(5.1)

Liquidity Risk

The Group manages its liquidity to ensure adequate funding for capital expenditures and debt service. Financing sources include internally generated funds, proceeds from debt and equity issuances, and, when necessary, the sale of assets.

The Group regularly evaluates projected and actual cash flows and assesses market conditions to identify funding opportunities, including bank loans, export credit agency-guaranteed facilities, bonds, and equity issuances.

The Group's financial assets that mature within 12 months and are used to meet short-term liquidity needs include the following:

	2025	2024
		(In Millions)
Cash and cash equivalents (excluding cash on hand)	₱99,789	₱110,316
Current portion of time deposits	3,217	221

The maturity profile of the Group's financial liabilities follows:

	2025			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
				(In Millions)
Bank loans	₱20,223	₱–	₱–	₱20,223
Accounts payable and other current liabilities*	187,949	–	–	187,949
Long-term debt (including current portion)**	116,833	261,515	194,138	572,486
Derivative liabilities**	113	2	–	115
Tenants' deposits**	342	6,135	24,695	31,172
Other noncurrent liabilities***	–	13,682	4,808	18,490
	₱325,460	₱281,334	₱223,641	₱830,435

* Excluding nonfinancial liabilities of ₱10.6 billion.

** Based on estimated future cash flows.

*** Excluding nonfinancial liabilities amounting to ₱23.2 billion.

	2024			Total
	Less than 1 Year	1 to 5 Years	More than 5 Years	
	(In Millions)			
Bank loans	P24,074	P–	P–	P24,074
Accounts payable and other current liabilities*	187,772	–	–	187,772
Long-term debt (including current portion)**	122,941	326,144	96,786	545,871
Derivative liabilities**	99	57	–	156
Tenants' deposits**	301	6,598	21,173	28,072
Other noncurrent liabilities***	1	11,685	2,087	13,773
	P335,188	P334,484	P120,046	P799,718

* Excluding nonfinancial liabilities of P10.0 billion.

** Based on estimated future cash flows.

*** Excluding nonfinancial liabilities amounting to P22.0 billion.

Credit Risk

The Group trades only with recognized and creditworthy related parties and third parties. The Group's policy requires customers who wish to trade on credit terms to undergo credit verification. Receivable balances are monitored to keep exposure to bad debts to a minimum. Given the Group's diverse customer base, it is not exposed to significant concentrations of credit risk.

For other financial assets such as cash and cash equivalents, time deposits, and certain derivative instruments, credit risk arises from counterparty default, with a maximum exposure equal to their carrying amounts.

Receivables from sales of real estate have minimal credit risk and are effectively collateralized by the respective units sold since title to the properties is not transferred to buyers until full payment is made.

As at December 31, 2025 and 2024, financial assets, except certain receivables, are generally viewed by management as good and collectible considering counterparties' credit history. Past due or impaired financial assets are not significant in relation to the Group's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using internal credit ratings classified as high quality and standard quality.

High Quality. This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to the high quality category are included in this category.

	2025			2024		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
	(In Millions)					
Cash and cash equivalents (excluding cash hand)	P99,789	P–	P99,789	P110,316	P–	P110,316
Time deposits including noncurrent portion	7,395	–	7,395	3,335	–	3,335
Financial assets at FVOCI	20,771	3,622	24,393	24,056	3,100	27,156
Receivables and contract assets – net (including noncurrent portion of receivables from real estate buyers)*	27,026	8,452	35,478	17,124	9,477	26,601
Advances and other receivables – net (includes nontrade receivables, bonds and deposits, receivables from banks, and accrued interest receivable under "Other current assets" in the consolidated balance sheets)**	20,139	–	20,139	28,755	–	28,755
Escrow fund	1,035	–	1,035	822	–	822
Derivative assets (including noncurrent portion)	4,710	–	4,710	5,378	–	5,378
	P180,865	P12,074	P192,939	P189,786	P12,577	P202,363

* Excluding non-financial assets of P137.8 billion and P133.5 billion as at December 31, 2025 and 2024, respectively.

** Excluding non-financial assets of P137.0 million and P172.6 million as at December 31, 2025 and 2024, respectively.

Equity Price Risk

Management closely monitors the equity investments in the Group's portfolio. Material positions are managed on an individual basis, and all buy and sell decisions are approved by management.

Equity Price Risk Sensitivity Analysis. The table below shows the estimated effect of reasonably possible changes in equity indices on the Group's investments in listed shares, assuming all other variables remain constant:

	Change in Equity Price	Effect on Equity (In Millions)
2025	+1.28%	P379.9
	-1.28%	(379.9)
2024	+1.09%	P357.5
	-1.09%	(357.5)

Capital Management

The primary objectives of the Group's capital management are to maintain a strong credit rating and healthy capital ratios, to support the business, and to maximize shareholder value.

The Group manages its capital structure and makes appropriate adjustments as economic conditions change; actions may include adjusting dividend payments to shareholders, securing new and/or repaying existing debts, returning capital to shareholders, or issuing new shares.

The Group monitors its capital gearing by maintaining its net interest-bearing debt at no higher than 50% of the sum of net debt and equity.

Net Gearing Ratio

	2025	2024
	(In Millions)	
Bank loans	P20,223	P24,074
Long-term debt (current and noncurrent)	491,236	476,500
Less:		
Cash and cash equivalents (excluding cash on hand)	(99,789)	(110,316)
Time deposits (current and noncurrent)	(7,395)	(3,334)
Net interest-bearing debt (a)	404,275	386,924
Total equity	955,635	866,425
Net interest-bearing debt and total equity (b)	P1,359,910	P1,253,349
Gearing ratio - net (a/b)	30%	31%

Gross Gearing Ratio

	2025	2024
	(In Millions)	
Bank loans	P20,223	P24,074
Long-term debt	491,236	476,500
Total interest-bearing debt (a)	511,459	500,574
Total equity	955,635	866,425
Total interest-bearing debt and total equity (b)	P1,467,094	P1,366,999
Gearing ratio - net (a/b)	35%	37%

29. Financial Instruments

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

December 31, 2025					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Millions)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P20,741	P20,741	P20,741	P–	P–
Unlisted shares of stock	3,622	3,622	–	–	3,622
Club shares	30	30	–	30	–
Derivative assets	4,710	4,710	–	4,710	–
	29,103	29,103	20,741	4,740	3,622
Assets for which Fair Values are Disclosed					
Time deposits – noncurrent portion	4,178	4,232	–	4,232	–
	P33,281	P33,335	P20,741	P8,972	P3,622
Liabilities Measured at Fair Value					
Derivative liabilities	P401	P401	P–	P401	P–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	390,839	387,236	–	–	387,236
Tenants' deposits and others*	39,577	37,744	–	–	37,744
	430,416	424,980	–	–	424,980
	P430,817	P425,381	P–	P401	P424,980

* Excluding nonfinancial liabilities of P31.9 billion and noncurrent derivative liabilities of P288.3 million.

December 31, 2024					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Millions)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P24,027	P24,027	P24,027	P–	P–
Unlisted shares of stock	3,100	3,100	–	–	3,100
Club shares	29	29	–	29	–
Derivative assets	5,379	5,379	–	5,379	–
	32,535	32,535	24,027	5,408	3,100
Assets for which Fair Values are Disclosed					
Time deposits – noncurrent portion	3,113	3,197	–	3,197	–
	P35,648	P35,732	P24,027	P8,605	P3,100

(Forward)

December 31, 2024					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Millions)					
Liabilities Measured at Fair Value					
Derivative liabilities	P156	P156	P–	P156	P–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	371,872	364,609	–	–	364,609
Tenants' deposits and others*	42,863	36,741	–	–	36,741
	414,735	401,350	–	–	401,350
	P414,891	P401,506	P–	P156	P401,350

* Excluding nonfinancial liabilities of P22.0 billion and noncurrent derivative liabilities of P56.7 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2025 and 2024.

The fair values of unlisted shares of stock classified under Level 3 are determined using the discounted cash flow method under the income approach. The valuation estimates the present value of expected future cash flows discounted using rates that reflect market assessments of the risks specific to the investment. The Group's unlisted shares of stock were valued using discount rates of 14.2% in 2025 and 18.0% in 2024. Significant unobservable inputs include projected cash flows and long-term growth rates.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2025	2024
Time deposits (noncurrent portion)	1.3%	1.1% - 4.4%
Tenants' deposits	1.3% - 6.9%	1.1% - 7.0%

Long-term Debt. The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used is based on the prevailing market rate as at December 31, 2025 and 2024.
Variable Rate	For variable rate loans that re-price every three months, the carrying amount approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used were 7.9% to 8.2% and 8.0% to 8.1% as at December 31, 2025 and 2024, respectively.

Derivative Instruments. The fair values are based on quotes obtained from counterparties. The rollforward analysis of the fair value changes of derivative instruments follows:

	2025	2024
(In Millions)		
Balance at beginning of year	P5,222	P6,462
Net changes in fair value during the year	(252)	2,598
Fair value on settled derivatives	(661)	(3,838)
	P4,309	P5,222

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2025, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on their foreign currency-denominated debt. Details follow:

	Notional Amount	Agreed Equivalent	Fair Value (Php)	Interest Rate	Foreign Exchange Rate	Maturity
(In Millions)						
Parent Company						
Cross Currency Swaps	\$58	₱3,300	₱155	6.1%	₱57.25	2032
Cross Currency Swaps	£43	2,996	466	5.8%	₱70.49	2028
Principal Only Swaps	\$453	26,548	429	0.4% - 0.8%	₱58.14 – ₱59.00	2027 - 2029
SM Prime						
Foreign Exchange Forward Swaps	\$948	₱53,717	2,199	–	₱55.10 – ₱60.39	2026
Interest Rate Swaps	\$570	–	370	2.3% - 2.7%	–	2026
Principal Only Swaps	\$220	¥1,435	746	–	¥6.47 - ¥6.6	2026 - 2027
Cross Currency Swaps	\$280	¥1,992	(55)	3.4% - 3.5%	¥7.09 - ¥7.13	2029

As the terms of the swaps have been negotiated to match the terms of the hedged loans and advances, the hedges were assessed to be highly effective.

Other Derivative Instruments Not Designated as Accounting Hedges

Non-deliverable Forwards and Swaps. The net fair value changes from the settled currency forward and swap contracts recognized in the consolidated statements of income amounted to ₱44.9 million, ₱8.3 million and ₱592.0 million gain in 2025, 2024 and 2023, respectively.

30. EPS Computation

	Years Ended December 31		
	2025	2024	2023
(In Millions Except Per Share Data)			
Net income attributable to owners of the Parent Company (a)	₱90,482	₱82,609	₱76,989
Weighted average number of common shares outstanding (b)	1,220	1,222	1,222
Basic/Diluted EPS (a/b)	₱74.16	₱67.60	₱63.00

31. Change in Liabilities Arising From Financing Activities

	2025		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
(In Millions)			
Balance at beginning of year	₱24,074	₱476,500	₱36,388
Availments	96,643	130,292	–
Payments	(100,562)	(118,409)	(5,466)
Cumulative translation adjustment on cash flow hedges	68	3,181	–
Foreign exchange movement	–	(285)	–
Others	–	(43)	7,627
Balance at end of year	₱20,223	₱491,236	₱38,549

	2024		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
	(In Millions)		
Balance at beginning of year	₱13,414	₱488,288	₱35,320
Availments	105,535	112,876	–
Payments	(94,961)	(131,653)	(5,308)
Cumulative translation adjustment on cash flow hedges	229	2,441	–
Foreign exchange movement	(143)	4,232	–
Others	–	316	6,376
Balance at end of year	₱24,074	₱476,500	₱36,388

	2023		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
	(In Millions)		
Balance at beginning of year	₱20,812	₱484,897	₱35,390
Availments	45,600	107,591	–
Payments	(52,907)	(103,343)	(5,220)
Cumulative translation adjustment on cash flow hedges	(87)	(1,609)	–
Foreign exchange movement	(4)	408	–
Others	–	344	5,150
Balance at end of year	₱13,414	₱488,288	₱35,320

There are no non-cash changes in accrued interest and dividends payable. Others include debt accretion, debt issue cost amortization and lease liability additions.

We Value Your Feedback

Thank you for reading SM Investments Corporation's 2025 Integrated Report.

We are committed to continuously improving the relevance, clarity, and usefulness of our disclosures. We invite you to share your feedback by scanning the QR code for a short survey online.



You may also send your comments directly to:
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